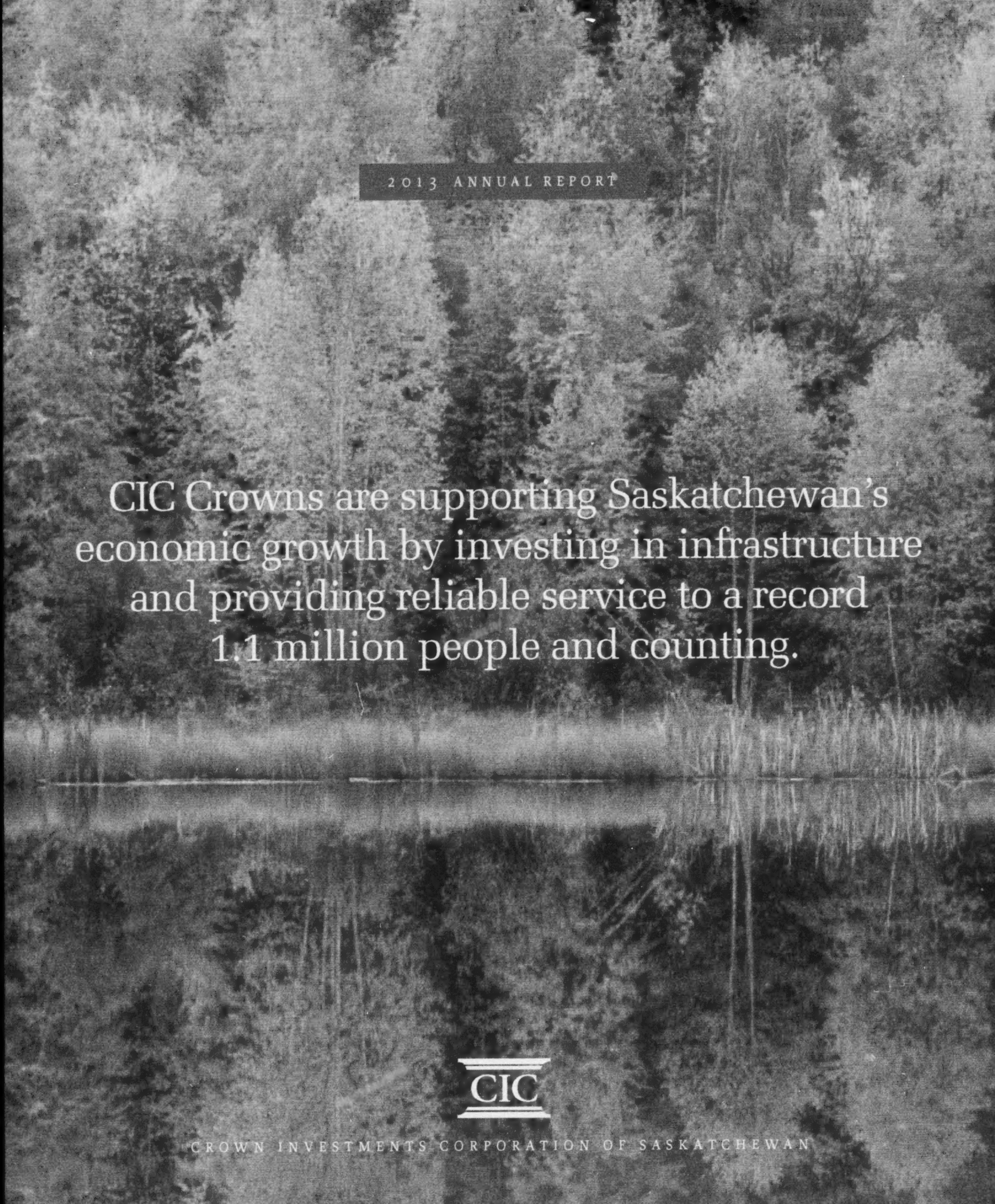

2013 ANNUAL REPORT

CIC Crowns are supporting Saskatchewan's economic growth by investing in infrastructure and providing reliable service to a record 1.1 million people and counting.

CIC

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

Cover: Trees with fall colours reflecting in lake.
Prince Albert National Park, Saskatchewan, Canada

Cover photo: Branimir Gjetvaj / branimirphoto.ca
Design: Bradbury Branding & Design / www.bradburydesign.com

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Message from the Minister and President


Saskatchewan's Crown corporations continued to meet the challenges of growth in 2013 by making major investments in infrastructure to ensure needed services were ready for consumers and businesses.

The increased demand for service could be seen across the Crown sector as the Province's population once again reached new records, topping 1.1 million people for the first time in Saskatchewan history. This meant another extremely busy year for the Crown utilities. SaskPower, SaskEnergy and SaskTel were all challenged to keep up with demand.

SaskPower supplied a record level of electricity as the Province set new highs for both peak load and daily energy consumption. The same trend was evident at SaskEnergy where population growth coupled with cold weather helped to push natural gas consumption up by 16 per cent. The Province set a new record for daily natural gas consumption in December. Since the last record was set in 2012, SaskEnergy has added nearly 14,000 new customers to its distribution system.

Meeting the needs of a growing residential, commercial and industrial consumer base are a key part of the Crowns' contribution to the Saskatchewan Plan for Growth (Growth Plan). In order to fulfill this role, the Crowns must maintain strong financial results, and they did that again in 2013.

Consolidated net earnings were $566.2 million, which produced a return on equity of 12 per cent. This was more than $127.6 million higher than in 2012, due mainly to the one-time gain made on the sale of shares in Information Services Corporation (ISC). That sale raised $156.2 million for Government priorities such as infrastructure, and demonstrated strong investor interest in a Saskatchewan success story.

CIC dividends paid to the General Revenue Fund (GRF) were $361.4 million, which made a valuable contribution to maintaining important Government programs in health care, education and social services.

Crown debt remained at manageable levels with a consolidated debt ratio of 56 per cent. Each Crown has a debt ratio that remains within accepted industry standards. This was achieved against the backdrop of the continuing demand for new infrastructure across the Crowns.

SaskEnergy and its subsidiary, TransGas, continued to expand the natural gas network throughout the province. SaskEnergy made 7,400 new connections in the course of the year, while TransGas made progress on a number of significant industrial projects such as a new line to feed the K+S Potash mine north of Moose Jaw. During the year, SaskEnergy spent $160 million on infrastructure improvements, even as it maintained the lowest residential natural gas delivery charges in Canada.

SaskPower continued to make progress with its Boundary Dam Integrated Carbon Capture and Sequestration Project. Despite some unexpected delays, it is still expected to begin commercial operation in 2014 and is expected to capture one million tonnes of CO_2 every year. SaskPower spent a total of $1.32 billion on infrastructure in 2013 as it continued to expand generating and transmission capacity and renew aging plants.

SaskPower also began construction of a new $380 million northern transmission line, which will stretch 300 km between the Island Falls Power Station to Key Lake, bringing more reliable power that will support business expansion in the area. In 2013, SaskPower also announced a $532 million expansion of Queen Elizabeth Power Station in

Corporate Information

The Crowns continued to meet the challenges of growth to service a record Saskatchewan population in 2013, spending $1.9 billion in infrastructure improvements and expansions.

Corporate Overview

CORPORATE PROFILE

The Crown Investments Corporation of Saskatchewan (CIC) is the financially self-sufficient holding company for eight Saskatchewan commercial Crown corporations and five wholly-owned subsidiaries. During 2013, CIC sold 69% of its investment in the Information Services Corporation (ISC) through an initial public offering.[1]

As a holding company, CIC develops and implements broad policy initiatives, directs investments and provides dividends to the Provincial Government's General Revenue Fund (GRF). CIC is mandated to exercise supervisory powers over its subsidiary Crown corporations, in addition to operating as a Crown corporation itself. As of December 31, 2013, these subsidiary Crown corporations and wholly-owned subsidiaries included:

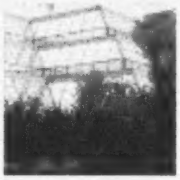
UTILITIES

Saskatchewan Power Corporation (SaskPower)

Saskatchewan Telecommunications (SaskTel)

SaskEnergy Inc. (SaskEnergy)

Saskatchewan Water Corporation (SaskWater)



INVESTMENT & ECONOMIC GROWTH

Saskatchewan Opportunities Corporation (SOCO)

CIC Asset Management Inc. (CIC AMI)

Saskatchewan Immigrant Investor Fund Inc. (SIIF)

INSURANCE

Saskatchewan Government Insurance (SGI)[2]

TRANSPORTATION

Saskatchewan Transportation Company (STC)

ENTERTAINMENT

Saskatchewan Gaming Corporation (SGC)

OTHER

Gradworks Inc.

First Nations & Métis Fund Inc. (FNMF)

CIC Economic Holdco Ltd. (Saskatchewan Entrepreneurial Fund Joint Venture)

[1] Additional information regarding the sale of Information Services Corporation (ISC) can be found in the Consolidated Management Discussion & Analysis (MD&A) on pg 48.

[2] SGI administers the Saskatchewan Auto Fund, which is not a subsidiary Crown corporation, however summarized operating results are provided in CIC's Consolidated Management Discussion and Analysis on pg 68-69.

Corporate Overview

PURPOSE

CIC provides Crown sector oversight on behalf of the Shareholder. We accomplish this by:

- providing strategic Shareholder direction and managing Crown performance;
- promoting best practices in Crown sector governance and disclosure; and
- developing and implementing broad policy initiatives and administering select Government programs.

VISION, MISSION & VALUES

In 2013, the CIC team redefined our corporate vision from a focus on innovation to a broader foundation that will support and secure the transformative growth of the Province. CIC and the Crown sector play a vital role in underpinning social and economic success. The CIC team's mission is to lead and contribute to this success.

OUR VISION

To develop a more efficient, responsive and financially sustainable Crown sector that addresses the challenges of a growing Saskatchewan.

OUR MISSION

As the holding company, we provide leadership and support that enables our Crown corporations to contribute to Saskatchewan's economic success and improved quality of life.

OUR VALUES

Integrity

We are trustworthy, respectful of others and hold each other accountable. We honour our commitments and conduct our business in the most ethical manner.

Excellence

We continuously challenge ourselves to improve and innovate, striving to achieve our highest potential in all areas of our business. Our stakeholders should expect only the highest business standards.

Leadership

We provide guidance and inspiration for the Crown sector to effectively and efficiently fulfill its mandate. We develop leaders at all levels and value the commitment and contributions of our employees and partners.

Teamwork

We work as a team and collaborate with the Government, our Board, Crown corporations and partners. We all play a vital role in achieving our common objectives.

Governance

CORPORATE MANDATE

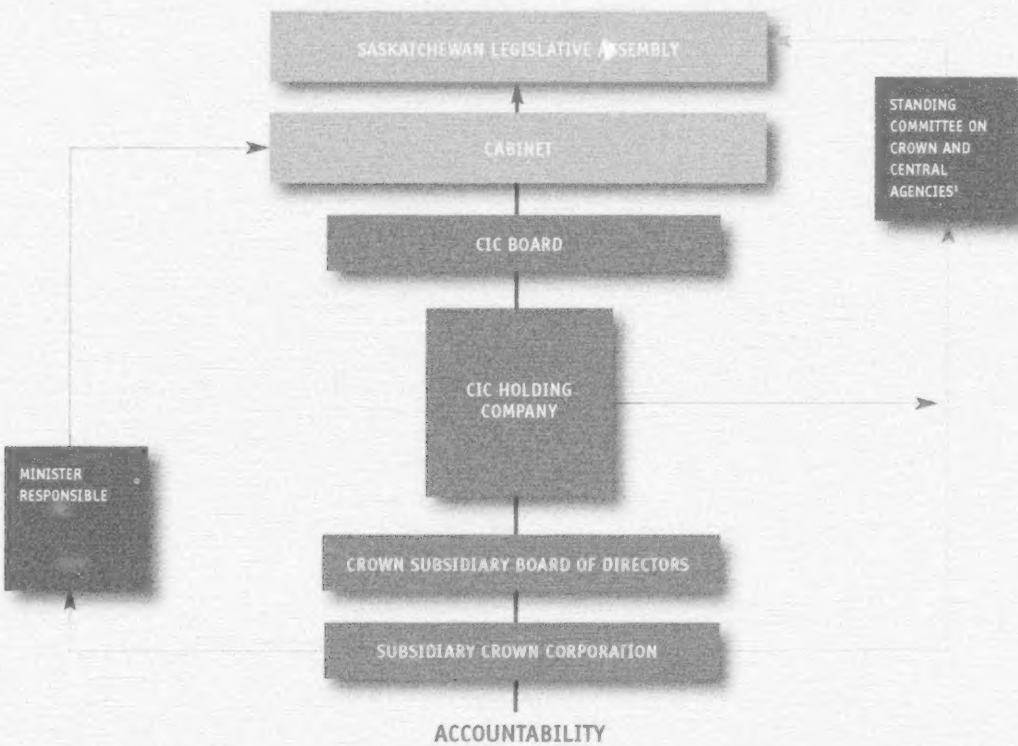
CIC's governing legislation and its mandate are defined by *The Crown Corporations Act, 1993*.

a) CIC is the holding company for all subsidiary Crown corporations, exercising supervisory powers granted in the interests of all Saskatchewan residents.
b) CIC is the agency responsible for making and administering investments on behalf of the Government of Saskatchewan.

FINANCIAL & PUBLIC ACCOUNTABILITY

The following chart depicts the accountability structure of Saskatchewan Crown corporations to both the Government and to the all-party committee of the Legislative Assembly, the Standing Committee on Crown and Central Agencies. It also outlines the reporting structure for decision items and performance management and defines the oversight responsibilities of:

a) The Government (as the Shareholder and mandating body for the Crown corporations);
b) The CIC Board (as the representative of the Shareholder to ensure mandates and activities are consistent with the interest and intent of Government); and
c) Each Crown corporation's Board of Directors (as the stewardship body with fiduciary duty to the Crown's operations).



[1] The Standing Committee on Crown and Central Agencies considers matters relating to CIC and its subsidiaries. Reports of the Provincial Auditor, as they relate to CIC and its subsidiaries, are permanently referred to the Standing Committee on Crown and Central Agencies.

Governance

BOARD OF DIRECTORS

The CIC Board of Directors consists of elected Government officials appointed to the Board by the Lieutenant Governor-in-Council pursuant to *The Crown Corporations Act, 1993*, and as such, all are non-independent directors. The CIC Board makes decisions in its own right, provides advice and recommendations to the Provincial Cabinet, and functions as a key committee to Cabinet. Through the Chair, the CIC Board is accountable to Cabinet, the Legislative Assembly and the public.

The CIC Board oversees the strategic direction and risk management of the CIC Crown sector. The Board is guided in this role by overall Government direction provided in the annual Provincial Budget Summary. In 2013, the Government's Budget, *Balanced Growth*, set out a framework for achieving continued economic growth while maintaining a high quality of life and efficient delivery of services. The Board's key responsibility is to ensure that all direction provided to the Crown sector is aligned with the Government's vision.

Government's Vision

"Saskatchewan will be the best place in Canada:

- **to live**
- **to work**
- **to start a business**
- **to get an education**
- **to raise a family and**
- **to build a life"**

BOARD RESPONSIBILITIES

The CIC Board is committed to the Government's vision and ensuring alignment of the CIC Crown sector through the following activities:

- sets strategic priorities for the Crown sector;
- oversees and ensures that risks are properly managed and appropriate authorities and controls are in place;
- provides strategic oversight to subsidiary Crown corporations by reviewing annual business plans, setting performance expectations, allocating capital within the sector, as well as monitoring and evaluating performance; and
- provides strategic oversight to CIC management by setting corporate strategic direction, identifying risks and opportunities, approving CIC's business plans and budgets, and monitoring and evaluating corporate performance.

"The Government has identified four goals to set direction for the Province:

- Sustaining growth and opportunities for Saskatchewan people
- Improving our quality of life
- Making life more affordable
- Delivering responsive and responsible government."

BOARD COMMITTEES

The CIC Board does not have separate nominating, compensation or audit and finance committees.

- The CIC Board acts as a compensation committee by approving an executive compensation framework (pg. 31) that applies to the executives of CIC and all subsidiary Crown corporations. The Chair of the CIC Board provides oversight of CIC's CEO and evaluates the annual performance of the CEO.
- The CIC Board acts as an audit and finance committee by approving CIC's financial statements and by meeting with external auditors and the Provincial Auditor without management present.

Balanced Growth

The Government's vision will secure ongoing prosperity for Saskatchewan residents, build on our economic strengths and become a province of 1.2 million people by the year 2020.

BOARD APPOINTMENTS & RENEWAL

As a Crown corporation, the appointment and removal of members of the CIC Board as well as the designation of the Chair and Vice-Chair, is the prerogative of the Lieutenant Governor-in-Council. The Minister of Crown Investments must be a member of the CIC Board and is appointed as the CIC Board Chair. Pursuant to *The Crown Corporations Act, 1993*, members hold office for a term not greater than three years or until a successor is appointed. Member appointments can be renewed at expiry. There are five members on the CIC Board.

HONOURABLE DONNA HARPAUER, CHAIR

Minister of Crown Investments
Minister Responsible for Saskatchewan Government Insurance
Minister Responsible for Saskatchewan Liquor and Gaming Authority
Saskatchewan Development Fund Corporation
Saskatchewan Opportunities Corporation

- Ms. Harpauer was first elected to the Legislature in 1999, was re-elected in 2003, 2007 and again in 2011.
- Ms. Harpauer has served as the Minister of Social Services and Minister of Education and, in 2012, Ms. Harpauer was appointed Minister of Crown Investments.
- Ms. Harpauer attended Kelsey Institute in Saskatoon, where she earned her Medical Laboratory Technologist certificate and interned at the Royal University Hospital in the Microbiology Lab from 1978 – 1983.

HONOURABLE DON MCMORRIS, VICE-CHAIR

Minister of Highways and Infrastructure
Minister Responsible for Saskatchewan Telecommunications
Minister Responsible for Saskatchewan Transportation Company
Minister Responsible for Saskatchewan Gaming Corporation
Minister Responsible for SaskBuilds

- Mr. McMorris was originally elected in 1999, and re-elected in 2003, 2007 and again in 2011.
- Mr. McMorris served as Minister of Health from 2007 until May of 2012 when he was appointed Minister of Highways and Infrastructure.
- Prior to his election to the Saskatchewan Legislature, Mr. McMorris worked with the Saskatchewan Safety Council, the Prairie View School Division and managed the family farm in the Lewvan area.

HONOURABLE BILL BOYD, BOARD MEMBER

Minister of the Economy
Minister Responsible for the Global Transportation Hub
Minister Responsible for Saskatchewan Power Corporation
Innovation Saskatchewan
Uranium Development Partnership
Saskatchewan Research Council

- Mr. Boyd was originally elected in the Kindersley constituency in 1991 as a Progressive Conservative MLA, and became the leader of that party in 1994. He was re-elected in 1995.
- In 1997, he and three of his colleagues joined with four Liberal MLAs and founded the Saskatchewan Party. Mr. Boyd was re-elected in 1999, 2007 and 2011 in the Kindersley constituency.
- Mr. Boyd operates a pedigreed seed feed farm near Eston, Saskatchewan.

PAUL MERRIMAN, BOARD MEMBER
MLA, Saskatoon Sutherland

- Mr. Merriman was first elected to the Saskatchewan Legislature as MLA for Saskatoon Sutherland in the 2011 provincial election.
- Mr. Merriman is Legislative Secretary to the Minister of Economy for Immigration and serves as a member of the Standing Committee on Human Services.
- Prior to the election, Mr. Merriman was the Executive Director of the Saskatoon Food Bank and Learning Centre, working diligently to increase funding and decrease costs.
- Before his employment with the Food Bank, Mr. Merriman worked with SaskEnergy for eight years setting up a province-wide salvage operation of used material that generated corporate savings for SaskEnergy in excess of $8 million. He has also operated two small businesses.

LAURA ROSS, BOARD MEMBER
MLA, Regina Qu'Appelle Valley

- Ms. Ross was elected to the Saskatchewan Legislature as MLA for Regina Qu'Appelle Valley in 2007 and 2011.
- Ms. Ross was appointed Legislative Secretary to the Minister of Health, and was also Minister of Government Services. She currently serves on the Board of Crown Investments Corporation, the Legislature's Standing Committee on Human Services, the Standing Committee on Public Accounts and is a member of the creative industries Cabinet committee.
- Ms. Ross attended the University of Regina, where she obtained a Bachelor of Arts in geography and sociology. For more than 20 years, she was a licensed realtor in Regina specializing in residential properties.

BOARD OF DIRECTORS – TENURE

During 2013, a total of 17 Board meetings were held by the CIC Board.

- CIC Board members are provided with meeting materials in advance;
- As a standing agenda item for Board meetings, the Board holds in-camera sessions without management present where all CIC Board members can participate; and
- CIC Board members do not receive remuneration (retainers or per diems) for their participation on the Board.

Director	Position	Term on the Board
Honourable Donna Harpauer	Chair	May 25, 2012 to December 31, 2013
Honourable Don McMorris	Vice-Chair	May 25, 2012 to December 31, 2013
Honourable Bill Boyd	Member	December 6, 2007 to December 31, 2013
Paul Merriman, MLA	Member	November 30, 2011 to December 31, 2013
Laura Ross, MLA	Member	May 25, 2012 to December 31, 2013

Organizational Overview

OPERATING DIVISIONS

CIC reorganized its divisional structure during 2013, which resulted in the dissolution of the Asset Management Division. Responsibilities for the remaining asset divestitures were transferred to the Finance & Administration Division.

At year-end 2013, CIC had 56 positions within its four divisions:

- President's Office;
- Finance & Administration;
- Human Resource Policy, Governance & Legal; and
- Capital Pension & Benefits Administration.

President's Office	The President and CEO is responsible for all aspects of leadership at CIC. The Communications and Human Resource Units report directly to the President. They: • Provide support and leadership in Crown communications through delivering policy advice and information sharing; • Facilitate internal communications at CIC; and • Support a high-functioning organization by delivering human resource support and leadership.
Finance & Administration	The Finance & Administration Division provides analysis and recommendations to the CIC Board on a wide range of Crown sector business issues. Specifically, the Division supports: • Strategic Shareholder direction to the Crown sector; • Oversight of Crown corporation performance management and capital allocation plans; • Sector-wide financial reporting and forecasting; • Management of CIC's internal corporate planning and budget, and financial transactions; • Internal audit function for smaller subsidiary Crown corporations; • Corporate administration services and information management; and • Prudent management and divestitures of the remaining CIC AMI investments to optimize financial outcomes.
Human Resource Policy, Governance & Legal	The Human Resource Policy, Governance & Legal Division provides advice and guidance to CIC, the CIC Board and the Crown corporations and their Boards on a wide range of policy issues: • Legal advisory services to CIC and the CIC Board; • Oversees Crown sector human resource policies and programs, including Crown executive compensation framework, develops sector-wide human resource policies, oversees the application of the collective bargaining framework, manages the Gradworks Internship Program, INROADS, the Aboriginal Bursary Program, and provides demographic analysis; • Develops and manages leading practices in corporate governance, including corporate secretarial services and procedural advisory services to the Crown corporation Boards, leading-edge director training and development, and continuous governance improvements; and • Oversees public policy initiatives, including the Saskatchewan Immigrant Investor Fund and the Saskatchewan Rate Review Panel.
Capital Pension & Benefits Administration	The Capital Pension & Benefits Administration Division manages and administers the multi-employer Capital Pension Plan and group benefits program in accordance with applicable regulations and laws. CIC has an oversight and sponsorship role as it pertains to the Capital Pension Plan and is also responsible for holding in trust the pension plan's funds for the benefit of members and annuitants.

Organizational Overview

EXECUTIVE TEAM

R. W. (DICK) CARTER, FCA

President & CEO

Dick Carter, FCA, is a retired partner of KPMG, Chartered Accountants, where he worked for more than thirty years in cities across the west – Regina, Saskatoon, Winnipeg and Edmonton. From 2007 to 2010, he was Chief of Staff to the Saskatchewan Minister of Finance. Dick became the President and CEO of CIC in August 2010.

Dick's education and professional credentials include Fellow, Institute of Chartered Accountants of Saskatchewan (1998), Queens University, Executive Program (1996), Member – Institutes of Chartered Accountants of Saskatchewan and Alberta, Bachelor of Commerce – University of Saskatchewan and Chartered Director (McMaster University/Conference Board of Canada).

Dick has also been very involved in the communities where he has lived including Grey Nuns of Alberta, Regina and Manitoba, Caritas Health Group (Edmonton), and the Royal Winnipeg Ballet (Winnipeg). During his time in Saskatoon he was a Board member with the Sherbrooke Community Centre, Saskatoon Housing Authority and the Saskatoon Inner City Pre-School Foundation.

BLAIR SWYSTUN

Senior Vice-President
& Chief Financial Officer
Finance & Administration

Blair Swystun is a Chartered Financial Analyst charter holder and has a Master of Business Administration. He has more than 31 years of Government experience and has been at CIC since 1996. Blair's public service career also included various positions at Saskatchewan Finance. Blair has been a member of numerous boards and investment funds.

DOUG KOSLOSKI

Senior Vice-President
& General Counsel Human Resource Policy, Governance & Legal

Doug Kosloski is a lawyer, a Chartered Director and has degrees in Finance and Economics. He joined CIC in 1998 and has been the Corporation's General Counsel since 1999. He sits on a number of boards and investment funds on behalf of CIC.

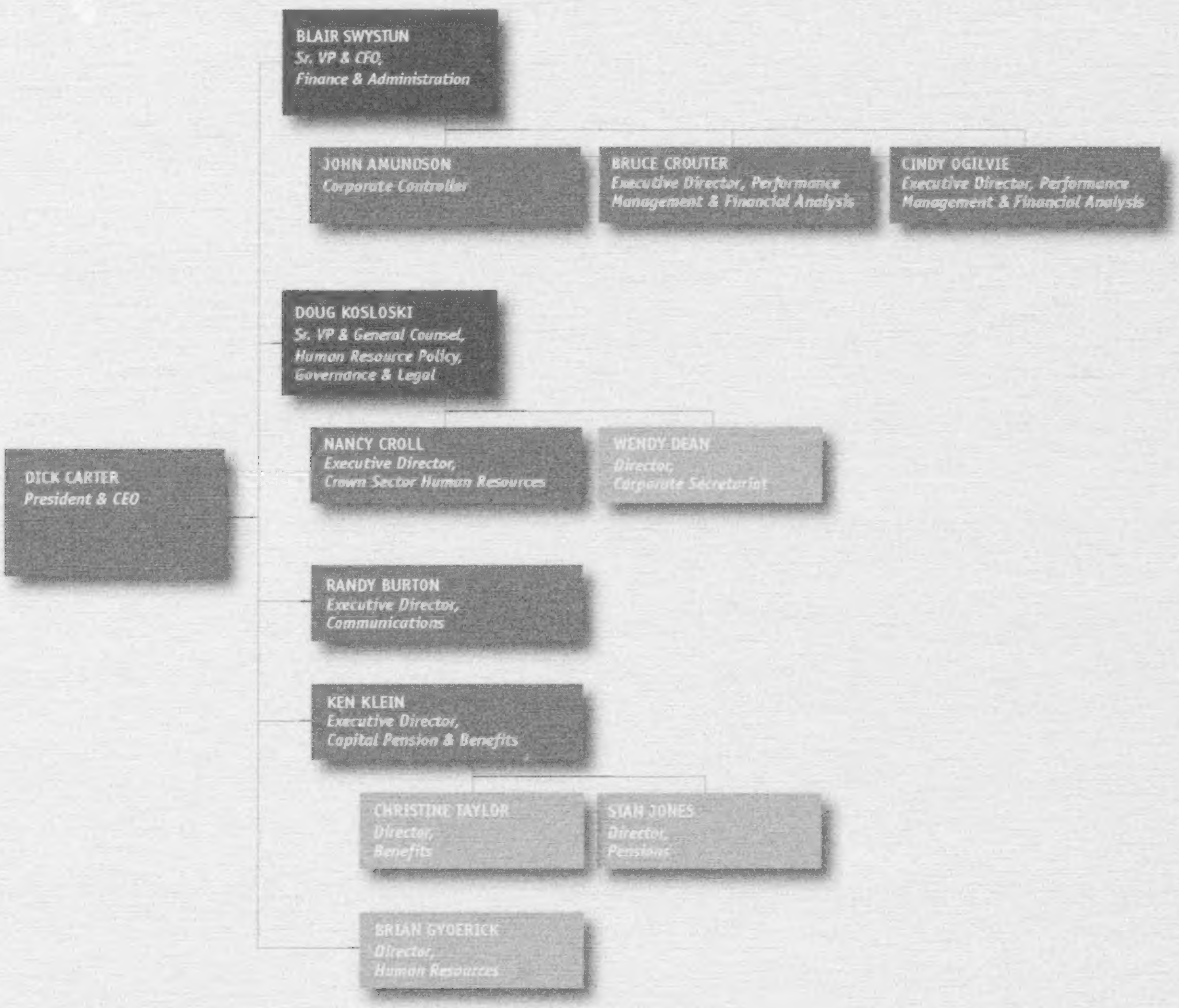
SUCCESSION PLANNING

CIC's corporate programs, policies and practices that form a solid foundation for ensuring the corporation is well positioned to retain the knowledge and competencies required to carry out its mandated responsibilities include:

- leadership development for executive and management team members;
- budgeted resources for employee development;
- the requirement for a training and development objective in the annual work plan of all team members as well as documentation of career objectives; and
- a Phased Retirement Policy to facilitate knowledge transfer from employees planning to retire to those employees who will take on their responsibilities.

Organizational Overview

EXECUTIVE & MANAGEMENT



CORPORATE POLICIES

CIC strives to maintain the highest legal and ethical standards in all its business practices. Each employee is expected to act responsibly, with integrity and honesty, and to comply with CIC's code of conduct and its underlying policies and objectives.

CIC operates under a complete, regularly updated and approved set of corporate policies and procedures.

CIC requires all employees, including new employees at time of hire, to annually confirm in writing that they have read, understand and agree to comply with the policies relating to employee conduct:

- Employee Conduct Policy;
- Personal Information Privacy Policy;
- Internet, Email and Computer Use Policy; and
- Anti-Harassment Policy.

Operating Context

CIC is the financially self-sufficient holding company for eight subsidiary commercial Crown corporations and five wholly-owned subsidiaries. In its oversight role of the Crown sector, CIC is responsible for the development and oversight of broad policy initiatives, directing investment and providing dividends to the Provincial Government's General Revenue Fund.

CIC oversees and manages a comprehensive framework designed to strengthen governance, performance and accountability of subsidiary Crowns. CIC also assists subsidiary Crown Boards through discharging their responsibility of overseeing and directing the management of the Crowns. CIC is committed to implementing governance, enterprise risk and opportunities management, and reporting and disclosure practices consistent with those of publicly-traded companies, where such practices can reasonably be applied to the public sector. Specifically, CIC provides oversight on behalf of the Shareholder for the Crown sector by:

- providing strategic Shareholder direction and managing Crown sector performance;
- promoting best practices in Crown sector governance and disclosure; and
- developing broad policy initiatives and administering select Government programs.

SHAREHOLDER DIRECTION & PERFORMANCE MANAGEMENT

CIC communicates Shareholder direction to its subsidiary Crown corporations and monitors their performance against targets and measures approved by the CIC Board. The Strategic and Performance Management Framework depicted on the following page demonstrates how strategic direction is relayed and performance is managed in the Crown sector.

STRATEGIC SHAREHOLDER DIRECTION

The first stage in the process is the development of the Crown Sector Strategic Priorities, led by CIC and reviewed and validated by the CIC Board. The Crown Sector Strategic Priorities articulate Shareholder expectations and provide medium to long-term direction to the Crown sector.

SUBSIDIARY CROWN CORPORATION PLANS

The second stage is the development of the subsidiary Crowns' Corporate Strategic Plans, demonstrating alignment to the Shareholder direction contained within the Crown Sector Strategic Priorities. Each subsidiary Crown then prepares a comprehensive Performance Management Plan which includes a Balanced Scorecard with measures and targets that link to the broad strategic directions established in the Crown Sector Strategic Priorities and its Corporate Strategic Plan. Performance Management Plans are prepared by Crown management and reviewed by subsidiary Crown Boards.

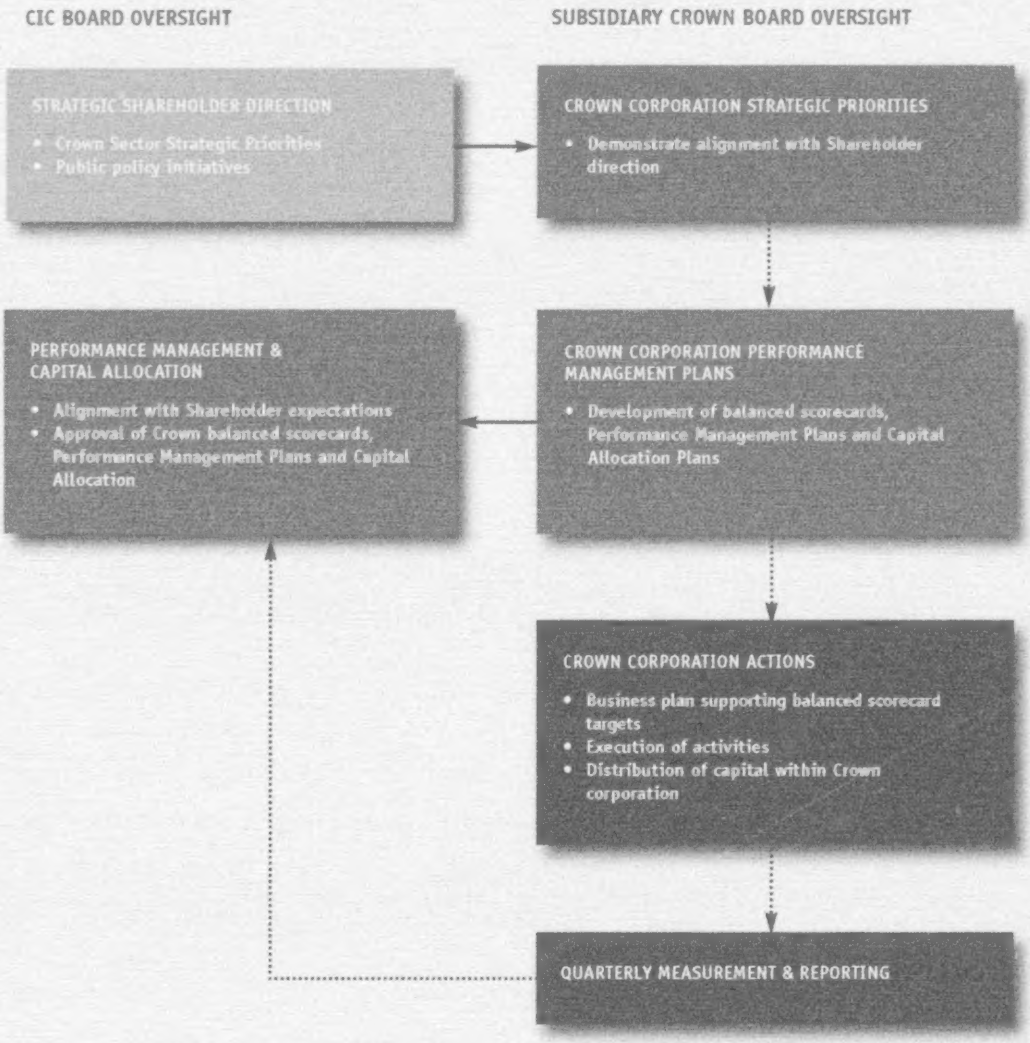
PERFORMANCE MANAGEMENT APPROVAL & REPORTING

The third stage is approval of subsidiary Crowns' Performance Management Plans by the CIC Board. Every year, the CIC Board evaluates each Crown's Performance Management Plan for the upcoming year. The CIC Board may provide further direction to a Crown prior to approving the final plan. Throughout the year, CIC monitors progress toward achieving each Crown's goals, with quarterly reviews and reports submitted to the CIC Board. In addition to approving the performance objectives, the CIC Board determines the capital allocation among Crown corporations for reinvestment, debt management and dividends.

Left: Saskatchewan leads the nation in economic growth. The Crown sector is doing its part to support continued growth through expansion of services and infrastructure throughout the province.

Operating Context

CIC'S STRATEGIC & PERFORMANCE MANAGEMENT FRAMEWORK



PROMOTING BEST PRACTICES IN CROWN SECTOR GOVERNANCE

CIC works with its subsidiary Crown corporation Boards of Directors to assist them to adapt and implement leading corporate governance practices and standards as applicable to a public enterprise. Related to this, CIC:

- delivers centralized corporate secretary and governance advisory services to the Crown Boards;
- supports Boards in identifying director skill sets required to function effectively and assess and improve performance; and
- sponsors a Chartered Director certification program to enhance overall Board skills.

MANAGEMENT CERTIFICATION OF FINANCIAL STATEMENTS

Since 2009, CIC and its subsidiary Crown corporations have undertaken CEO/CFO certification of financial statements. Crown sector CEO/CFO certification is similar to the certification policies implemented by the Canadian Securities Administrators on publicly listed companies.

CIC and its subsidiaries are one of the first Government organizations to implement a certification policy. CIC is continuing to ensure that its Crown sector follows best practice for publicly accountable companies.

ENTERPRISE RISK AND OPPORTUNITIES MANAGEMENT (EROM)

In 2010, the CIC Board of Directors approved an "Enterprise Risk and Opportunities Management (EROM) Minimum Standards Policy" with applicability to all subsidiary Crown corporations, including CIC as the holding company. EROM involves:

- identifying risks and opportunities;
- analyzing and quantifying risk impact;
- assessing and prioritizing risks;
- establishing strategies for controlling risk and/or capitalizing on opportunities; and
- monitoring and reporting.

The EROM process by its nature, allows not only for focused attention on those risks that are most important to the achievement of Crown sector objectives, but also to the identification of opportunities and innovations, leading to redundancy eliminations, internal control framework and operational process efficiency improvements, and the effective use of limited human and financial resources.

In compliance with the sector-wide minimum standards policy, the management and Board of Directors of each subsidiary Crown corporation, together with the holding company, CIC, are independently responsible for EROM processes specific to their operations.

Risk appetite is determined independently by Crown management and approved by the Board of each subsidiary Crown corporation and the holding company. In assessing risk tolerance, consideration is mainly given to mandate, financial, legal/regulatory, reputational and operational impacts and likelihoods. An attempt is made to address overall risk tolerance limits by establishing a risk assessment rating above which specific actions are required to be taken, thereby ensuring that the highest-ranked risks are sufficiently managed.

Each subsidiary Crown corporation demonstrates alignment of EROM results to strategic business planning through the annual performance management process. Performance plans are approved by both the subsidiary Crown corporation Board and the CIC Board. Progress against plan is reviewed and approved by the subsidiary Crown corporation Board and the CIC Board through quarterly balanced scorecard reporting.

For a discussion of EROM results specific to CIC as the holding company, see pages 148 to 149 in the CIC Separate Management Discussion & Analysis section of this report.

Detailed discussion of EROM results specific to each subsidiary Crown corporation is included in the respective subsidiary annual report released to the public. Summarized results are included in the subsidiary profiles on pages 58 to 77 in the CIC Consolidated MD&A section of this report.

ACCOUNTABILITY & TRANSPARENCY

CIC has developed a comprehensive performance evaluation system applicable to each of its subsidiary Crown Boards. Evaluations are conducted on a two-year cycle, with some aspects of performance evaluated annually. In 2012, all operational Crown Boards implemented performance evaluations of the Board Chair and the Board as a whole. Evaluations are conducted by survey, and follow-up interviews are done with individual directors where necessary to clarify the responses. Each Crown Board is responsible for developing a plan to act on the results of the performance evaluations. A summary of the evaluation results is shared with CIC.

COMMUNICATION OF SHAREHOLDER EXPECTATIONS

Open, timely and reliable communication between the Shareholder and each Crown Board is essential to a successful governance framework. CIC and its subsidiary Crown corporations have initiated several effective communication channels, including:

- regular meetings between the Chairs of the Crown Boards and senior CIC officials to discuss Shareholder priorities and share information regarding matters of mutual interest;
- meetings with the Chairs of Committees of the Crown Boards, as required, to discuss initiatives and emerging trends that will impact the Committees' area of responsibility;
- monthly reports from the Crown Board Chairs to the CIC Board highlighting items of significance considered at the Board level, major Crown initiatives and significant corporate risks; and
- meetings of the CIC President & CEO with the Presidents and Boards of subsidiary Crown corporations.

BOARD PROFESSIONAL DEVELOPMENT

CIC is committed to providing the members of its subsidiary Crown Boards with the education necessary to effectively discharge their responsibilities, and has provided a training program to its Boards since 1998. In 2009, CIC began offering The Directors College Chartered Director certification program to directors serving on CIC subsidiary Crown corporation Boards. This joint initiative of the Conference Board of Canada (CBoC) and McMaster University can lead to designation as a Chartered Director for those who complete all of the program requirements. Registration is limited to 30 participants per module. The program is voluntary and has been well received. The Directors College Program was not offered in 2013, as the majority of directors interested in participating had already completed the modules. During 2013, two subsidiary Crown Board members, who had completed the course requirements in 2012, completed the exam and received the Chartered Director designation. CIC facilitated three professional development opportunities for the Crown Boards in 2013, including: Enterprise Risk Oversight for Directors and Crown Director Effectiveness, both delivered by the Institute of Corporate Directors; and a CIC Subsidiary Crown Board Forum on Strategic Challenges and Opportunities, facilitated by Dr. Chris Bart of The Directors College.

Operating Context

PROMOTING BEST PRACTICES IN CROWN SECTOR DISCLOSURE

CONFERENCE BOARD OF CANADA - GOVERNANCE INDEX SURVEY

The CBoC maintains a 30-year database that allows boards to benchmark their performance and governance practices against those of selected leading comparator boards in the public and private sectors in Canada (Governance Index). CIC has used the CBoC Governance Index to gain an external perspective on the governance practices of its subsidiary Crown Boards. In previous surveys, the ratings achieved by CIC's Crown Boards have surpassed those of all other boards in the public and private sector whose ratings were recorded in the CBoC's database. CIC initiated its fifth Governance Index survey in 2011, with a 96% response rate.

The CBoC changed its Governance Index rating scale in 2009, from a possible score of 1 to 20 (the historical scale) to a possible score of 1 to 100. In 2011, CIC Crown Boards achieved an overall rating of 78 out of 100, exceeding their rating of 74 in 2009, and placing them in the high governance ranking. On the historical scale, CIC subsidiary Crown Boards achieved an equivalent Governance Index rating of 18.6 out of 20 in 2011, representing continued progress from a rating of 15 in 1999, 16.75 in 2001, 17 in 2005 and 17.33 in 2009. The next survey will be conducted in 2014.

CONFERENCE BOARD OF CANADA - REPORTING & DISCLOSURE REVIEW

Every two years, CIC engages the CBoC to conduct a review of the reporting and disclosure of CIC and its subsidiary Crown corporations through their annual reports. The review is to:

- update a best practices matrix to reflect the latest standards of reporting, accountability and governance of corporations in both the private and public sectors;
- evaluate the disclosure and reporting of Saskatchewan's Crown corporations through a review of their annual reports against the best practices matrix; and
- provide CIC with performance reports of each Crown corporation in comparison to the best practices matrix and relative to benchmarked comparable private companies and Crown corporations.

The most recent CBoC review was conducted in the fall of 2013 on CIC's 2012 annual report. This review resulted in CIC receiving a rating of "A" which was above its target of "B+". Areas for further improvement include more detailed discussions on:

- greater integration of performance targets into the MD&A;
- integrating elements relating to the success and economic growth in the Province;
- significant strengths of the Crown corporation sector in Saskatchewan;
- initiatives related to the culture of integrity at the organization;
- reasons certain targets were not met, changed or missed;
- additional disclosure regarding CIC's risk management and mitigation strategies;
- forward-looking disclosures and discussion of risks to achieving action plans; and
- CEO and senior executive succession planning for CIC.

CBoC will conduct its next review on CIC's 2014 annual report and the results will be reflected in our 2015 Balanced Scorecard.

POLICY & PROGRAMMING ON BEHALF OF THE SHAREHOLDER

CIC's role includes centralized administration of select Government initiatives and programs, including:

- Saskatchewan Immigrant Investor Fund Inc.;
- First Nations and Métis Fund Inc.;
- First Nations Business Development Program;
- Aboriginal Bursary Program;
- Gradworks Inc. (Intern Development Program); and
- CIC is the plan sponsor for the Capital Pension Plan.

SASKATCHEWAN RATE REVIEW PANEL

The Saskatchewan Rate Review Panel (the Panel) advises the Government of Saskatchewan on rate applications proposed by SaskEnergy, SaskPower and the SGI Auto Fund. The Panel reviews each rate application and provides an independent public report on its opinion about the fairness and reasonableness of the rate change, while balancing the interests of the customer, the Crown corporation and the public. The Provincial Cabinet makes the final decision on rate change requests.

CIC acts as a liaison between the Panel and the Government as required. In this role, CIC may provide the Panel with assistance, guidance and oversight to fulfill its mandate. The members of the Panel during 2013 were:

- Kathy Weber, Chair
- Bill Barzeele, Vice-Chair
- Delaine Barber, Member
- Steve Kemp, Member
- Burl Adams, Member
- Lyle Walsh, Member
- Daryl Hasein, Member

For more information, visit www.saskratereview.ca.

CORPORATE SOCIAL RESPONSIBILITY

CIC is committed to operating in an ethical and responsible manner. We are active in the Saskatchewan community and, through donations and sponsorships, support non-profit organizations and community clubs and activities. CIC further supports these groups by encouraging employee volunteerism.

CIC is committed to engaging and enabling employees and promotes their continual professional development. CIC conducts a biennial survey to identify and develop strategies to further enhance employee morale and commitment to CIC.

Our 2013 survey indicated very positive results in comparison to the North American norm as well as to the 2011 CIC survey results. Relative to the North American norm, a database of over 500 public and private sector companies representing over 1 million employees, CIC's 2013 results exceeded the norm in 13 of the 15 engagement and enablement factors measured. Compared to CIC's 2011 results, CIC rated higher on 14 of the 15 factors in 2013. The survey results indicate that CIC is a highly engaged and enabled workplace. Action plans are being developed in response to the 2013 results, with emphasis on improving collaboration across CIC's divisions and with our subsidiary Crowns.

While we believe CIC operations have minimal impact on the environment, we strive to recycle materials and reduce our energy consumption. Through our strategic oversight role of the Crown sector, we prioritize and support research and development of innovative, renewable technologies and we monitor Crowns' achievements of environmental regulatory standards.

The following stories highlight two areas where CIC makes a difference in the community. As part of its sponsorship activities, CIC is proud to support the University of Regina's Paul J. Hill School of Business and its efforts to promote excellence through participation in the JDC West business case competitions.

This is the largest student-run business case competition in Western Canada. The three day event brings more than 600 business students together to compete in ten academic cases, one parliamentary style debate, as well as sport and social challenges. The University of Regina has a very strong record in this competition, placing in the top five out of 12 business schools for the past six years.

CIC's Gradworks program offers recent post-secondary graduates full-time, 12-month internships to gain experience and develop career-related skills. Since Gradworks started eight years ago, more than 750 graduates have taken part in the program. The goal is to keep our recent graduates here in Saskatchewan by encouraging them to discover the exciting opportunities available in our Crown corporations. Gradworks has been very successful at this, given that 94 per cent of the program's alumni have found jobs in Saskatchewan. Of those, 63 per cent have earned positions in the Crown sector.

JDC West Business Case Competition

What to do, what to do?

Should the crack team of University of Regina (U of R) business students recommend a new course of action for a Korean joint venture in the IT industry?

Can they arrive at an accurate diagnosis of the challenges facing the evolving international drug industry?

In either case, can they absorb large amounts of information in a short period of time, identify a business problem in a case study and provide a clear solution in just three hours?

This is the challenge for the competitors in the JDC West business case competition, an annual event that pits students from the U of R's Paul J. Hill School of Business against their contemporaries from other business schools across the country.

It's a pressure-packed contest that tests the students' analytical abilities, their business sense, their presentation skills and their ability to think on their feet. They must present their arguments to judging panels made up of senior executives and CEO's of major corporations. In order to do it, they must hone their skills and make practice presentations every week for six months. All of it is done outside of regular school hours.

To the winner gets the bragging rights of having bested some very bright people. To all the contestants goes experience that will serve them very well in their future business careers.

It's this that makes the JDC West competition a community initiative worthy of the Crown Investment Corporation's support. Each year, CIC provides funding for dozens of different groups active in business, employment training, culture, and the arts.

In the case of JDC West, it's a means of contributing to the development of future entrepreneurs and businesspeople, some of whom might wind up in the Saskatchewan Crown sector.

The U of R's international business team reviews a practice performance. In a clockwise direction, coaches James Munro and Mark Stewart provide some pointers to participants Nicole Nameth, Evan Kon and Ken de Peuter.

CIC hosts the Gradworks Intern Development Program, which provides recent post-secondary graduates 12-month, paid internships at one of the Crown corporations. The program has become highly successful at getting young professionals into the work force, both in the Crown and private sectors.

Gradworks Intern Erin Lord

Erin Lord majored in Marketing at the Edwards School of Business at the University of Saskatchewan. Eager to make the most of her skills, she interned with SaskTel International after spotting a Gradworks ad on the University job board.

"It said 'Marketing'. It said I was going to be applying the skills I'd spent four years learning about," Erin recalls. At first, she was involved in marketing SaskTel International's business-to-business software products. "So, there was a lot of learning and a lot of research-related projects that I got in the beginning but that expanded towards the end of my one-year term and I started being much more involved in product development roadmaps (the planning process for new introductions), and then also in the marketing of those products, such as logo design, creating brochures, creating campaigns, any sales tool for our sales people to go out and sell the product."

"I think I was lucky, but it all started with Gradworks," she says. "The great thing about being an intern is that you're expected to be brand new out of university, you're not expected to know everything right away. When you're in that internship, your boss is also acting as a mentor. My manager was always so supportive. A lot times when you're young you feel, 'I don't know as much as everyone else so I'm going to keep my mouth shut.' It was so easy as a Gradworks intern to say, 'I know I'm just learning about these products but what about this perspective?' I found people were always receptive to my ideas."

Erin credits Gradworks with helping her get her current position at SaskPower. "For my interview at SaskPower, I had example over example over example for every question that they asked because I'd been given an opportunity to advance my abilities."

"Gradworks is a gift, it's not something that every Canadian gets an opportunity to take advantage of. I hope the program stays around for a long time."

Gradworks Intern Matthew Neff

Matthew Neff attended university in the U.S. on a track and field scholarship, earning a BSc in Business Administration from the University of Mary in North Dakota. He came home to Saskatchewan and a Gradworks internship at SaskTel, where he worked in process planning, a crucial element in making sure new products and services are introduced with the proper support. It's a specialized area that does not feature in the average business school curriculum.

"I was fortunate to be paired up with a really great Gradworks coach, Cory Brown, who was really good about introducing me into having more and more responsibilities. He helped me leverage the skills that I had and then develop the ones that maybe weren't fully there around the specifics of the job. It worked really well, not because I had a background in that sort of work but more I had a very strong mentor. That really makes the program what it is."

"It was definitely not entry-level work that I ended up getting to do so that was another thing that I really liked about my Gradworks experience. I was given a fair amount of responsibility by the end of that year that I don't think I would have gotten if I just came in through the typical entry level way. Here, I got to do project work right away, which usually you don't get to see until quite a bit later on."

Towards the end of his term, Matthew, with the encouragement of his coach, met with one of SaskTel's vice-presidents and made his case for continued employment. "Let me tell you, as an intern, it's not easy to call up the assistant to the VP and say you want to meet with him for 15 minutes over keeping you around, but you have to do those sorts of things and take ownership for where you end up."

After Matthew's internship ended, his position was extended for a year. He then filled in during a maternity leave before finding a permanent position. He now sees the value of Gradworks to the company, as well as to the interns. "I've worked with quite a few of the Gradworks interns and there's a lot of great talent that comes through the program."

Corporate Performance

2013 BALANCED SCORECARD

CIC'S CORE PURPOSE

CIC uses a widely accepted performance measurement system known as the Balanced Scorecard. This system is used to establish, communicate and report on key corporate performance targets in a standardized and concise format. We provide our Board with quarterly progress reports on CIC's performance relative to targets. CIC's 2013 sector scorecard contains four perspectives: Shareholder, Leadership & Policy, Financial and CIC Internal Operations.

CIC'S 2013 BALANCED SCORECARD PERSPECTIVES

SHAREHOLDER

- To ensure the subsidiary Crowns' Strategic Plans reflect the priorities and policies of the Shareholder
- To ensure the Shareholder is provided with quality information and analysis to make decisions affecting the Crown sector

FINANCIAL

- To monitor the financial performance of the Crown sector
- To balance the relative priorities of providing an appropriate return to the people of Saskatchewan and protecting the financial flexibility of CIC and the Crown sector

LEADERSHIP & POLICY

- To provide high quality advice to the Crown sector
- To identify, develop and promote best practices in management of the Crown sector
- To implement and manage programs to align with Shareholder priorities

CIC INTERNAL OPERATIONS

- To ensure CIC is effectively structured to support the achievement of CIC's corporate priorities
- To achieve an engaged and enabled workforce
- To demonstrate accountability and strong leadership throughout CIC

BALANCED SCORECARD RESULTS – 2013

SHAREHOLDER

STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	2013 TARGET	YEAR-END RESULTS
Provide expertise and guidance to support the Shareholder	S1 Performance assessment by CIC Board Chair	≥3.75 (5 point rating scale)	4.25
Effectively provide Shareholder direction to the Crown sector	S2 Performance assessment by CIC Board Chair	≥3.75 (5 point rating scale)	4.50
	S3 Performance assessment by Crown Boards	>3.75 (5 point rating scale)	3.98

Performance Indicator Key:

Exceeds Target > 120% | On Target 100% | Slightly off Target < 100% | Below Target < 80% | Not Reported this Period

SHAREHOLDER - PERFORMANCE DISCUSSION

CIC committed to ensure effective, regular communication of strategic priorities to Crown Boards, Crown management and other key stakeholder groups. During the year our senior executive team met with four of our eight subsidiary Crown Boards sharing strategic priorities as well as issues and challenges facing the Crown sector. In 2014, we will meet with the remainder of the Crown Boards and continue a process of regular dialogue. The majority of Crown Board members rated CIC highly in the area of facilitating information sharing and issues resolution between Crown Boards and the Shareholder and suggested that additional information sharing opportunities be added which is being considered for 2014. A revision was made to the scorecard in August to include survey results from an additional stakeholder group (Crown Boards) and is reported above in S3.

BALANCED SCORECARD RESULTS – 2013 (Continued)

LEADERSHIP & POLICY				
STRATEGIC OBJECTIVE		**PERFORMANCE MEASURE**	**2013 TARGET**	**YEAR-END RESULTS & VARIANCE ANALYSIS**
Implement key strategic public policy and programs as directed by the Shareholder	LP1	Crown sector efficiency initiatives - EBITDA/Revenue	29.6%	28.6%
	LP2	Continue with the wind-down of CIC AMI	7 Divestitures	5 Divestitures
	LP3	Oversight of public policy programs and initiatives	100% of program deliverables	114% of program deliverables
Provide an effective performance management process to the Crown sector	LP4	Performance assessment by Crown Executives	≥3.5 (5 point rating scale)	3.84
Effectively provide policy and procedural advice and support to the Crown sector	LP5	Performance assessment by Crown Executives	≥3.5 (5 point rating scale)	3.93
Advance best practice standards within the Crown sector	LP6	Governance Rating: Benchmarking by the Conference Board of Canada (CBoC)	Non-reporting year of a 3-year cycle (2012-2014)	Non-reporting year
	LP7	Reporting and Disclosure Rating of Crown sector 2012 Annual Reports – Benchmarking by the CBoC	"B+"	"A-"

Performance Indicator Key:

Exceeds Target > 120% | On Target 100% | Slightly off Target < 100% | Below Target < 80% | Not Reported this Period

LEADERSHIP & POLICY - PERFORMANCE DISCUSSION

CIC's leadership role was favorably rated by Crown stakeholders. The feedback these surveys provide is valuable to us as we incorporate this information into our plans for the upcoming year. During 2014, we will act on stakeholders' requests by communicating Government priorities so this information can be integrated into 2015 business plans.

Crowns successfully continued their focus on cost reduction. EBITDA/Revenue results were slightly off target as SaskEnergy's gas marketing activities increased consolidated revenue but at lower than forecast margins.

In general, our public policy programs achieved notable successes - in particular, two programs which support the development of an educated workforce and youth (Gradworks Inc. & the Aboriginal Bursaries Program). The program that was slightly below target is the First Nations Business Development Program which had only three businesses qualify to receive funding. HeadStart, which is one of the most successful entry level housing initiatives in the country with a target of 235 homes sold in 2013, achieved total sales of 449 (91% over target).

BALANCED SCORECARD RESULTS – 2013 (Continued)

FINANCIAL

STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	2013 TARGET	YEAR-END RESULTS & VARIANCE ANALYSIS
Ensure that the Crown sector is financially sustainable and provides an appropriate return to the people of Saskatchewan	F1 CIC dividend and equity repayments to the General Revenue Fund	$316.6M	$504.3 M
	F2 Consolidated ROE target	9.7%	$12.0%
	F3 Consolidated debt ratio	57.9%	56.2%

Performance Indicator Key:

Exceeds Target > 120% | On Target 100% | Slightly off Target < 100% | Below Target < 80% | Not Reported this Period

FINANCIAL - PERFORMANCE DISCUSSION

The Crowns continued to address the challenges of growth, connecting record numbers of customers, expanding and renewing infrastructure and continuing to provide reliable, high quality services. Healthy financial results in 2013 are indicated by a consolidated debt ratio slightly lower than target and strong ROE. Crown earnings were essentially on track with the ROE boost provided by CIC's sale of 69% of our investment in ISC. This provided net proceeds of $156.2 million and a gain, after a fair market value adjustment on remaining ISC shares, of $211.8 million.

Dividend and equity payments of $504.3 million were substantially higher than target. The Government's decision to defer a $143.0 million equity repayment to the General Revenue Fund from December 2012 into January 2013 significantly impacted this result. We also provided an additional $42.0 million in dividends in 2013 to support Government priorities.

CIC's 2012 Annual Report indicated a 2013 consolidated ROE target of 9.0% and a consolidated debt ratio target of 54.6%. Due to an immaterial calculation error, these targets were subsequently revised to 9.7% consolidated ROE and 57.9% consolidated debt ratio.

BALANCED SCORECARD RESULTS – 2013 (Continued)

CIC INTERNAL OPERATIONS

STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	2013 TARGET	YEAR-END RESULTS
Advance best practices in CIC's reporting and disclosure	I01 Meet financial and performance reporting requirements	Quarterly and annual reports released on time	On target
	I02 Reporting and disclosure rating for CIC's 2012 Annual Report: Benchmarking by the CBoC	Rating of "B+"	"A"
Prudent management of corporate resources	I03 CIC operating expenditures	Within budget	Below budget
Promote employee effectiveness and corporate success	I04 Employee engagement	≥ Hay Group norm	97.3% of target
	I05 Employee enablement	≥ Hay Group norm	124.7% of target

Performance Indicator Key:

Exceeds Target > 120% | On Target 100% | Slightly off Target < 100% | Below Target < 80% | Not Reported this Period

CIC INTERNAL OPERATIONS - PERFORMANCE DISCUSSION

A number of factors allowed CIC to maintain operating costs below budget as some public policy programs and our investment portfolio are coming to a close (eg. EnerGuide; and First Nations and Métis Fund). Savings in almost all operational areas were partially offset by the initial public offering costs for ISC. (A more complete discussion of operating results can be found in the Separate Management Discussion & Analysis section beginning on pg. 143.)

CIC continues to work to achieve "Best Practice" in financial reporting. Through the CBoC's review of our 2012 Annual Report we received a rating of "A" reflecting enhancements in our public reporting.

The Employee Engagement & Enablement Survey was administered in September 2013 with the final report presented by the Hay Group to Executive Committee in October. The results reflect that CIC has an engaged and enabled workplace. (For more detailed information on survey results, please see page 20 under "Corporate Social Responsibility".)

RATIONALE FOR SELECTION OF PERFORMANCE MEASURES

STRATEGIC OBJECTIVE	PM CODE	RATIONALE FOR SELECTION OF PERFORMANCE MEASURES (PM)
Provide expertise and guidance to support the Shareholder	S1	Provides for direct assessment by the CIC Board Chair (Shareholder's representative) on the relative performance of the holding company in providing expertise and guidance to support the Shareholder
Effectively provide Shareholder direction to the Crown sector	S2	Provides for direct assessment by the CIC Board Chair (Shareholder's representative) on the relative performance of the holding company in providing Shareholder direction to the Crown sector
	S3	Provides for direct assessment by Crown Boards on the relative performance of the holding company in providing Shareholder direction to the Crown sector
Implement key strategic public policy and programs as directed by the Shareholder	LP1	To monitor Crown progress towards achieving Government's priority on efficiency
	LP2	Report progress towards fulfilling the Shareholder mandate to divest the entire investment portfolio of assets held by CIC AMI
	LP3	Focus on CIC's role in the leadership and oversight of public policy programs and initiatives, aligning with Shareholder priorities
Provide an effective performance management process to the Crown sector	LP4	Provides for direct assessment by Crown sector Executives on the relative performance of the holding company in providing an effective performance management system
Effectively provide policy and procedural advice and support to the Crown sector	LP5	Provides for direct assessment by Crown sector Executives on the relative performance of the holding company in providing effective policy and procedural advice and support to the Crown sector
Advance best practice standards within the Crown corporations	LP6	Benchmarking governance to industry standards or best practices by an independent 3rd party ensures that CIC is measuring its performance in a consistent manner and to verifiable standards
	LP7	Benchmarking financial reporting and disclosure to industry standards or best practices by an independent 3rd party ensures that CIC is measuring its performance in a consistent manner and to verifiable standards
Ensure that the Crown sector is financially sustainable and provides an appropriate return to the people of Saskatchewan	F1	Provide an appropriate return to the Shareholder in an amount directed by the Shareholder
	F2	Indicates the level of profitability across the Crown sector by measuring Crown sector returns as a percentage of the equity in the Crown sector. Although the measure cannot be benchmarked to industry on a consolidated basis, results can be compared year over year
	F3	Indicates the level of financial flexibility in the Crown sector by measuring Crown sector debt as a percentage of capital (debt plus equity) in the Crown sector. Higher ratios indicate increased debt burden which may impair the Crown sector's ability to withstand downturns in revenues and still meet fixed payment obligations. Although the measure cannot be benchmarked to industry on a consolidated basis, results can be compared year over year
Advance best practices in CIC's reporting and disclosure	IO1	Release of financial and performance reporting is governed by policy and in some cases, such as CIC's Annual Report, by legislation
	IO2	Benchmarking to industry standards or best practices by an independent 3rd party
Prudent management of corporate resources	IO3	CIC is given the authority to make expenditures within the operating budget as approved annually by the CIC Board of Directors
Promote employee effectiveness and corporate success	IO4	Benchmark employee engagement by direct feedback from employees by independent 3rd party. Potential to further benchmark against other corporate entities
	IO5	Benchmark employee enablement by direct feedback from employees by independent 3rd party. Potential to further benchmark against other corporate entities

STAKEHOLDER FEEDBACK

In CIC's pursuit to maintain the value it provides to its stakeholders, CIC undertakes an annual stakeholder feedback process. Each stakeholder group is surveyed regarding the value of the functions performed by CIC. The key strategic stakeholder groups for CIC include:

- CIC Board of Directors (as the representative of the Shareholder to ensure mandates and activities are consistent with the interest and intent of Government);
- Subsidiary Crown Boards of Directors (as the stewardship body with fiduciary duty to the Crowns' operations); and
- Subsidiary Crown Executives (as the corporations' management bodies to conduct operations under the Boards' stewardship and direction).

The subsidiary Crown Board and Crown Executive surveys are administered by an independent agency to ensure confidential disclosure and unbiased interpretation of results. In the case of the CIC Board, to which CIC has direct responsibility, the survey is administered by CIC's CEO. Each stakeholder group is surveyed on the following criteria:

Assessed Criteria	CIC Board of Directors	Crown Subsidiary Boards of Directors	Crown Subsidiary Executives
Fulfilling its Mission	✓		
Direct Board Services & Support	✓		
Governance & Strategic Direction	✓ [1]	✓	✓
Performance Management	✓ [1]	✓	✓
Capital Allocation	✓ [1]	✓	✓
Preparation of Board / Cabinet Materials	✓	✓	✓
Strategic Human Resources	✓ [1]	✓	✓
Information Sharing	✓	✓	
Corporate Secretariat Services		✓	
Financial & Reporting Policies	✓		✓
Communications Coordination & Strategy	✓ [1]		✓
Legal, Procedural & Legislative Advice	✓		✓
Financial Management	✓		
Oversight of Government Initiatives	✓		
CIC's Operations & Administration	✓		

[1] Oversight on a Crown sector-wide basis.

STATEMENT OF RELIABILITY

I, R.W. (Dick) Carter, the President and Chief Executive Officer of Crown Investments Corporation of Saskatchewan, and I, Blair Swystun, the Senior Vice President and Chief Financial Officer of Crown Investments Corporation of Saskatchewan, certify that we have reviewed the Balanced Scorecard performance results included in the Annual Report of Crown Investments Corporation of Saskatchewan.

Based on our knowledge, having exercised reasonable diligence, the performance results included in the Annual Report fairly represent, in all material respects, CIC's performance results as of December 31, 2013.

R.W. (Dick) Carter, FCA
President & CEO

Blair Swystun, CFA
Senior Vice President & CFO

March 20, 2014

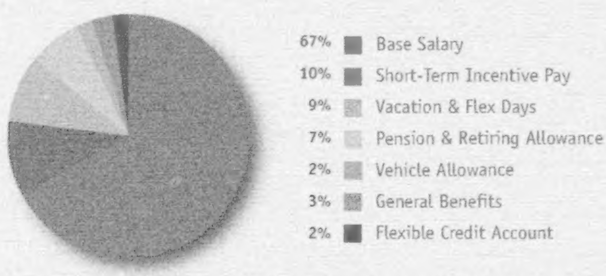
EXECUTIVE COMPENSATION

INDEPENDENT & OBJECTIVE

Consistent with best practice and to ensure objectivity, the CIC Board directed CIC to engage an external consultant to review Crown sector executive compensation practices and assist in the development of an Executive Compensation Framework. The current Crown Sector Executive Compensation Framework was implemented in 2006.

In order to maintain a meaningful degree of competitiveness with the external market, the CIC Board undertakes a review of the Framework every two to three years. In 2009 and 2012, external consultants were engaged to conduct reviews to assess the degree to which Crown executive compensation remained aligned with the framework's stated philosophy and the external market. Based on the results of the 2012 review, the CIC Board approved changes which refined the Framework and more closely reflect market comparators. The changes were effective January 1, 2013.

2013 EXECUTIVE COMPENSATION



FRAMEWORK

CIC has designed and administers executive compensation consistent with the CIC Board and Cabinet's Crown Sector Executive Compensation Framework and is committed to a "total compensation" perspective.

Crown sector compensation maintains a meaningful degree of competitiveness with the relevant external labour markets, targeting to achieve +/- 10% of the 50th percentile of market comparators (i.e. be in the middle of the group).

COMPENSATION

Each of CIC's executives receives a comprehensive group benefits package and is eligible for an annual short-term incentive program in addition to their base pay. The 2013 executive compensation chart on the preceding page indicates the percentage (%) each component contributed to total compensation in 2013.

As required by *The Crown Employment Contracts Act*, the CEO and direct reports of the CEO, including all executive members, report the details of their compensation and benefits to the Clerk of Executive Council. These filings are available for public review.

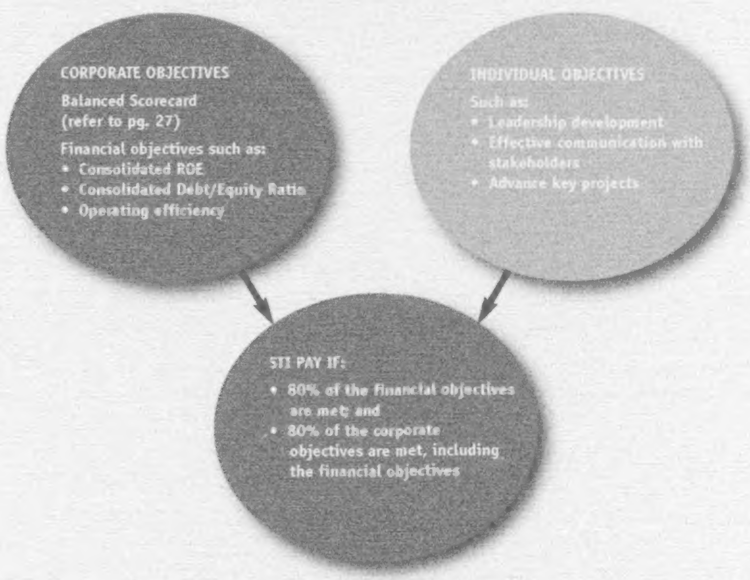
The Standing Committee on Crown and Central Agencies requires all Crown corporations to file an annual payee list, which includes remuneration information for the executive members. The Payee Disclosure Report is available on CIC's website www.cicorp.sk.ca. The CIC Board reviews the details of these expenditure reports annually.

Consistent with CIC Board and Cabinet approved ranges, the CIC base salary ranges for 2013 were:

Position	Base Salary Range
CEO	\$329,700 - \$412,100
Executive 1	\$227,300 - \$284,200
Executive 2	\$189,500 - \$236,800

ELIGIBILITY FOR SHORT-TERM INCENTIVE PAY (STI)

Executive STI pay is based on both corporate and individual objectives and demonstrated results against those objectives.



PERFORMANCE MANAGEMENT & PAY AT RISK

CIC's corporate STI targets are directly linked to all, versus a subset of, CIC Balanced Scorecard (BSC) targets. Key areas of BSC responsibility specific to each executive member are weighted more heavily than other areas for STI payout determination. Linking each executive to all BSC targets incents a collaborative, team approach to achieving corporate targets. The financial component is separately measured to focus CIC executive on protecting CIC and Crown sector financial sustainability and on providing an appropriate return to the people of Saskatchewan. The CIC Board receives quarterly progress reports regarding performance against BSC targets. (Refer to pg. 29 for information regarding the rationale linking BSC targets to performance.)

STI targets are stretch goals and are objective, quantifiable and within the span of control and/or influence of management. For the corporate component, CIC's executive STI measures and targets are established equivalent to the annual BSC measures and targets. STI targets may be more challenging than BSC targets, but cannot be less challenging than the BSC targets.

Following the end of the fiscal year, each executive summarizes his/her performance for the year against the pre-set objectives and targets. A discussion between the CEO and each Sr. Vice-President/Vice-President occurs regarding demonstrated results on both a corporate and individual basis. The CEO determines a final performance score for each Sr. Vice-President/Vice-President. Similarly, the CIC Board Chair reviews and discusses the CEO's annual performance results.

The CIC Board annually reviews and approves CIC's executive performance, including STI targets. The weighting ranges for each component are:

Position	Corporate Weighting	Individual Weighting
CEO	90 - 80%	10 - 20%
Executive 1 and Executive 2	85 - 70%	15 - 30%

Future Outlook

2014 CORPORATE DIRECTION & PRIORITIES

The major focus for CIC in 2014 will be to ensure the Crown sector is positioned to meet the demands of a growing province. Saskatchewan's population grew by more than 100,000 people from 2008-2013, creating many challenges and opportunities for the Province. CIC will continue to lead the Crown corporations in meeting unprecedented customer growth levels, supporting the Province's goal to maintain, upgrade and expand Crown infrastructure, while maintaining safe and affordable products and services.

SHAREHOLDER

- To ensure the subsidiary Crowns' strategic plans reflect the priorities and policies of the Shareholder; and
- To ensure the Shareholder is provided with quality information and analysis to make decisions affecting the Crown sector.

LEADERSHIP & POLICY

- To provide high-quality advice to the Crown sector;
- To identify, develop and promote best practices in management of the Crown sector; and
- To implement and manage programs to align with Shareholder priorities.

FINANCIAL

- To monitor the financial performance of the Crown sector; and
- To balance the relative priorities of providing an appropriate return to the people of Saskatchewan and protecting the financial flexibility of CIC and the Crown sector.

INTERNAL OPERATIONS

- To ensure CIC is effectively structured to support the achievement of CIC's corporate priorities;
- To achieve an engaged and enabled workforce; and
- To demonstrate accountability and strong leadership throughout CIC.

2014 PERFORMANCE TARGETS

SHAREHOLDER

STRATEGIC OBJECTIVE	PM CODE	PERFORMANCE MEASURE (PM)	2014 TARGET
Provide expertise and guidance to support the Shareholder	S-1	Performance assessment by CIC Board Chair	≥ 3.75 (5-Point Rating Scale)
Effectively provide Shareholder direction to the Crown sector	S-2	Performance assessment by CIC Board Chair	≥ 3.75 (5-Point Rating Scale)
	S-3	Performance Assessment by the Crown Boards	≥ 3.75 (5-Point Rating Scale)

LEADERSHIP & POLICY

STRATEGIC OBJECTIVE	PM CODE	PERFORMANCE MEASURE (PM)	2014 TARGET
Implement key strategic public policy and programs aligning with Shareholder priorities	LP-1	EBITDA[1]/Revenue - Crown sector efficiency initiatives	28.8%
	LP-2	Oversight of public policy programs and initiatives	To achieve 100% of program deliverables
Provide an effective performance management process to the Crown sector	LP-3	Performance assessment by Crown Executives	≥ 3.5 (5-Point Rating Scale)
Effectively provide policy and procedural advice and support to the Crown sector	LP-4	Performance assessment by Crown Executives	≥ 3.5 (5-Point Rating Scale)
Advance best practice standards within the Crown sector	LP-5	Governance Rating - Benchmarking by the Conference Board of Canada (CBoC)	Top quartile (25%)
	LP-6	Reporting and disclosure rating of Crown sector annual reports – Benchmarking by the CBoC	Non-reporting year of a 2-year cycle

[1] EBITDA (Earnings before interest, taxes, depreciation and amortization)

Future Outlook

FINANCIAL

STRATEGIC OBJECTIVE	PM CODE	PERFORMANCE MEASURE (PM)	2014 TARGET
Ensure that the Crown sector is financially sustainable and provides an appropriate return to the people of Saskatchewan	F-1	CIC dividend and equity repayments to the General Revenue Fund (GRF)	$206 M
	F-2	Consolidated ROE	3.9%
	F-3	Consolidated debt ratio	57.1%

CIC INTERNAL OPERATIONS

STRATEGIC OBJECTIVE	PM CODE	PERFORMANCE MEASURE (PM)	2014 TARGET
Advance best practices in CIC's reporting and disclosure	IO-1	Meet financial and performance reporting requirements	Quarterly and annual reports released on time
	IO-2	Reporting and disclosure rating for CIC's annual report: Benchmarking by the CBoC	Non-reporting year of a 2-year cycle
Prudent management of corporate resources	IO-3	CIC operating expenditures	Within budget
Promote employee effectiveness and corporate success	IO-4	Employee engagement	Non-reporting year of a 2-year cycle
	IO-5	Employee enablement	Non-reporting year of a 2-year cycle

RATIONALE FOR SELECTION OF PERFORMANCE MEASURES

STRATEGIC OBJECTIVE	PM CODE	RATIONALE FOR SELECTION OF PERFORMANCE MEASURES
Provide expertise and guidance to support the Shareholder	S-1	Provides for direct assessment by the CIC Board Chair (Shareholder's representative) on the relative performance of the holding company in providing expertise and guidance to support the Shareholder
Effectively provide Shareholder direction to the Crown sector	S-2	Provides for direct assessment by the CIC Board Chair (Shareholder's representative) on the relative performance of the holding company in providing Shareholder direction to the Crown sector
	S-3	Provides for direct assessment by the Crown Boards on the relative performance of the holding company in providing Shareholder direction to the Crown sector
Implement key strategic public policy and programs aligning with Shareholder priorities	LP-1	To monitor Crown progress towards achieving Government's priority on efficiency
	LP-2	Focus on CIC's role in the leadership and oversight of public policy programs and initiatives, aligning with Shareholder priorities
Provide an effective performance management process to the Crown sector	LP-3	Provides for direct assessment by Crown sector executives on the relative performance of the holding company in providing an effective performance management system
Effectively provide policy and procedural advice and support to the Crown sector	LP-4	Provides for direct assessment by Crown sector executives on the relative performance of the holding company in providing effective policy and procedural advice and support to the Crown sector
Advance best practice standards within the Crown corporations	LP-5	Benchmarking governance to industry standards or best practices by an independent 3rd party
	LP-6	Benchmarking financial reporting and disclosure to industry standards or best practices by an independent 3rd party
Ensure that the Crown sector is financially sustainable and provides an appropriate return to the people of Saskatchewan	F-1	Provide an appropriate return to the Shareholder in an amount directed by the Shareholder
	F-2	Indicates the level of profitability across the Crown sector by measuring Crown sector returns as a percentage of the equity in the Crown sector. Although the measure cannot be benchmarked to industry on a consolidated basis, results can be compared year over year
	F-3	Indicates the level of financial flexibility in the Crown sector by measuring Crown sector debt as a percentage of capital (debt plus equity) in the Crown sector. Higher ratios indicate increased debt burden which may impair the Crown sector's ability to withstand downturns in revenues and still meet fixed payment obligations. Although the measure cannot be benchmarked to industry on a consolidated basis, results can be compared year over year
Advance best practices in CIC's reporting and disclosure	IO-1	Release of financial and performance reporting is governed by policy and, in some cases, such as CIC's annual report, by legislation
	IO-2	Benchmarking to industry standards or best practices by an independent 3rd party
Prudent management of corporate resources	IO-3	CIC is given the authority to make expenditures within the operating budget as approved annually by the CIC Board of Directors
Promote employee effectiveness and corporate success	IO-4	Benchmark employee engagement by direct feedback from employees by an independent 3rd party. Potential to further benchmark against other corporate entities
	IO-5	Benchmark employee enablement by direct feedback from employees by an independent 3rd party. Potential to further benchmark against other corporate entities

Introduction to CIC's Financial Reporting

The Crowns are partnering with the private sector wherever possible on a range of projects, from locating utility lines to building industrial installations, in line with Government's priority of a private-sector driven economy.

Introduction to CIC's Financial Reporting

PREFACE

The purpose of the following discussion is to provide the users of CIC's financial statements with an overview of the Corporation's financial performance and the various measures CIC uses to evaluate its financial health. This narrative on CIC's 2013 financial results should be read in conjunction with the audited consolidated and separate financial statements.

Producing two different views of CIC's operations and results, with consolidated and separate financial statements, is a cornerstone of our commitment to accountability and transparency. Explanations of the differing purposes of these statements are provided in the next pages.

In addition to the information on CIC's 2013 results, discussions also provide detailed information regarding performance relative to the business plan, and what this means for the CIC Crown sector in the future.

FORWARD-LOOKING INFORMATION

Throughout the Annual Report, and particularly in the following discussion, are forward-looking statements. These statements can be recognized by terms such as "outlook", "expect", "anticipate", "project", "continue", or other expressions that relate to estimations or future events. By their nature, forward-looking statements require assumptions based on current information, management experience and historical performance. Forward-looking information is subject to uncertainties and, as a result, forward-looking statements are not a guarantee about the future performance of CIC and its subsidiary Crown corporations.

Readers should not place undue reliance on forward-looking statements, as a number of factors could cause actual results to differ materially from estimates, predictions and assumptions. Factors that can influence performance include, but are not limited to: weather conditions, commodity markets, general economic and political conditions, interest and exchange rates, performance, competition and regulatory environment. Given these uncertainties, assumptions contained in the forward-looking statements may or may not occur.

Understanding CIC's Financial Statements

CIC prepares two sets of financial statements: consolidated financial statements and separate financial statements.

CIC CONSOLIDATED FINANCIAL STATEMENTS

These statements illustrate CIC's results consolidated with the results of its subsidiary corporations. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and include:

- Financial results of subsidiary Crown corporations (SaskPower, SaskTel, SaskEnergy, SGI, SGC, STC, SaskWater, and SOCO);
- Financial results for CIC's wholly-owned subsidiaries (Gradworks Inc., CIC Economic Holdco Ltd., First Nations and Métis Fund Inc., Saskatchewan Immigrant Investor Fund Inc. and CIC Asset Management Inc.);
- Dividends paid by CIC to the General Revenue Fund (GRF); and
- CIC's operating results and public policy expenditures.

Consolidated earnings represent the total earnings in the Crown sector, taking into consideration the elimination of all inter-entity transactions (i.e., revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC).

CIC SEPARATE FINANCIAL STATEMENTS

Separate earnings represent CIC's earnings as the Shareholder of the Saskatchewan Commercial Crown sector. These statements assist CIC in determining its capacity to pay dividends to the GRF. The separate statements have not been and are not intended to be prepared in accordance with IFRS. These statements are intended to isolate the Corporation's cash-flow, capital support for certain subsidiary corporations, and public policy expenditures. These financial statements include:

- Dividends from subsidiary corporations;
- Dividends paid by CIC to the GRF;
- Grants by CIC to subsidiaries; and
- CIC's operating results and public policy expenditures.

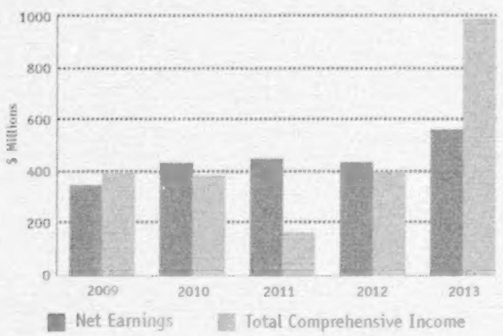
CIC'S 2013 Financial Highlights

(millions of dollars)

	2013	2012[1]	2011[1]	2010	2009[2]
CIC Consolidated					
Earnings	**$ 566.2**	$ 438.6	$ 450.9	$ 436.3	$ 348.7
Assets	**15,152.7**	13,108.3	11,962.4	11,066.3	10,256.3
Debt[3]	**6,624.0**	5,709.7	4,772.1	4,440.9	4,205.9
Dividend to the GRF	**361.4**	280.1	128.5	471.0	755.0
Debt Ratio (per cent)	**56.2%**	52.4%	48.6%	49.7%	47.5%
Return on Equity (per cent)	**12.0%**	9.6%	10.5%	10.5%	7.9%
CIC Separate					
Dividend Revenue	**$ 202.5**	$ 346.4	$ 213.9	$ 276.1	$ 258.1
Earnings	**330.4**	314.0	167.1	236.0	176.7
Cash Return on Equity (per cent)	**21.7%**	16.1%	7.8%	27.1%	36.8%

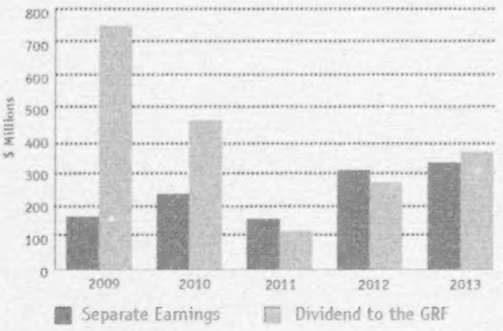
[1] Results in 2012 and 2011 have been restated to comply with new IFRS guidelines.
[2] Comparative results for 2009 were prepared under former Canadian Generally Accepted Accounting Principles.
[3] Consolidated debt includes long-term debt, long-term debt due within one year and notes payable.

CONSOLIDATED EARNINGS



CONSOLIDATED RETURN ON EQUITY

SEPARATE EARNINGS AND DIVIDENDS TO THE GRF



Historical information for 2009 has been prepared under former Canadian Generally Accepted Accounting Principles.

Achieving Corporate Priorities in 2013

A BALANCED APPROACH TO SHAREHOLDER RETURN

- CIC is focused on providing a reasonable return to the Province. This priority must be balanced with its public policy initiatives and reinvestment in sustaining infrastructure.
- CIC declared and paid dividends of $361.4 million to the GRF.
- CIC's consolidated return on equity was 12.0 per cent.
- These returns were accomplished while supporting the following public policy initiatives:
  - Saskatchewan EnerGuide for Houses;
  - Gradworks Inc., an internship program for CIC Crown corporations;
  - STC transportation routes in the province;
  - First Nations and Métis Fund Inc., a venture capital fund focusing on the aboriginal small business sector; and
  - Saskatchewan Immigrant Investor Fund Inc. (SIIF), a corporation established to participate in the Government of Canada's Immigrant Investor program (IIP). SIIF uses IIP funds to deliver the HeadStart on a Home program that assists builders and developers in building affordable housing in Saskatchewan communities.

FINANCIAL SUSTAINABILITY

- CIC monitors the financial management of the CIC Crown sector to ensure that financial performance targets are achieved in the current year and that the financial sustainability of the CIC Crown sector is maintained for the future. This includes important functions such as:
  - Ensuring CIC Crown corporations have sufficient capital available to maintain and/or expand existing infrastructure;
  - Examining capital structures of CIC Crown corporations (generally consisting of debt and equity) to maintain financial health; and
  - Forecasting available cash flows over the planning horizon to analyze and advise on future dividend payments to the GRF.
- All decisions that impact financial resources, such as dividends from the CIC Crown sector, dividends to the GRF, or funding of a public policy initiative, are assessed within the context of financial self-sufficiency, while contributing to the Government's priorities for the CIC Crown sector.
- During 2013, CIC's allocation of financial resources included the following:
  - Support of the above-noted public policy initiatives;
  - Declaration and payment of dividends to the GRF of $361.4 million;
  - Repayment of $143.0 million in equity advances to the GRF; and
  - Authorizing capital spending plans of subsidiary Crown corporations.

ENHANCING ACCOUNTABILITY

- CIC continues to advance its financial reporting practices in support of transparency and accountability. Examples of current practices to facilitate accountability include:
  - Quarterly reports for CIC (Consolidated and Separate) and its subsidiary Crowns, available to the public via CIC's web site;
  - Disclosure of budget information in the Government's Summary Financial Plan;
  - Detailed disclosure of CIC and its subsidiary Crowns' payments via CIC's web site;
  - Within the annual reports, comparisons of CIC's subsidiary corporations' results to business plan targets;
  - Providing Internal Audit services to certain CIC subsidiary Crown corporations;
  - Requiring CEO/CFO certification of internal controls over financial reporting; and
  - Developing policies and practices to ensure appropriate and consistent risk management frameworks for all CIC subsidiary Crown corporations.
- CIC continuously evaluates new standards and leading practices for financial reporting and corporate governance.

Managing Capital Resources in the CIC Crown Sector

CIC has a diverse range of holdings. A key priority for CIC is to manage the capital resources employed within the consolidated group of entities to optimize value in the Crown sector and also provide a return to the Province's GRF.

CIC manages this priority through its capital allocation framework, which is based on two integrated policies. These policies are based on the principle that there are three potential uses for cash flows:

- **Reinvestment** in our businesses to sustain infrastructure and operations, to grow and diversify revenues, and support public policy initiatives and economic development;
- **Debt reduction** to support the financial flexibility of CIC's operations; and
- **Dividends** to the holding company to be used in accordance with the CIC Dividend Policy.

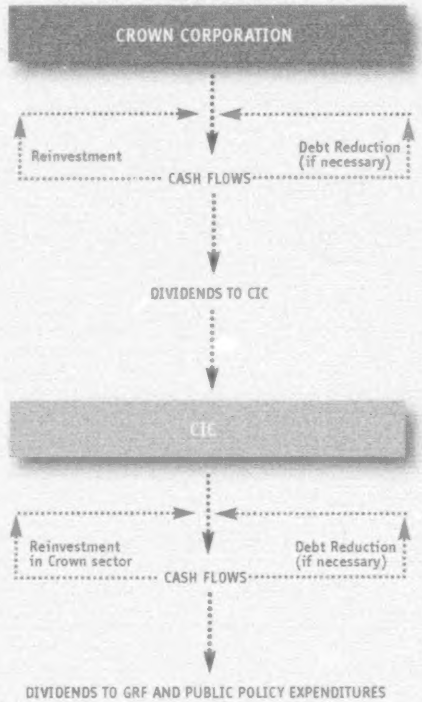
SUBSIDIARY DIVIDEND POLICY

The Subsidiary Dividend Policy focuses on managing capital resources to support the investment needs and business viability of the various business segments over the medium term. The policy ensures that the investments provide a return to Saskatchewan residents in support of programs paid for from the GRF.

Each commercial Crown's ability to pay dividends is determined after the CIC Board allocates a portion of cash profits to reinvestment and debt reduction. The CIC Board has approved debt and capital structure targets for CIC's subsidiaries based on industry benchmarks. Therefore, for subsidiaries that pay dividends, the amount paid is determined in relation to the target capital structure compared to the actual capital structure.

CIC DIVIDEND POLICY

In a similar way, cash paid by subsidiary Crown corporations is used by CIC for reinvestment and dividends to the GRF. CIC, as the holding company, does not have any debt. As well, CIC uses funds to support public policy initiatives.



Managing Capital Resources in the CIC Crown Sector

In 2013, CIC allocated $526.8 million of capital as follows:

REINVESTMENT AND PUBLIC POLICY EXPENDITURES:

- $18.6 million in grant funding to SaskEnergy, STC and Gradworks; and
- $3.8 million to First Nations and Métis Fund Inc. to provide venture capital to qualifying First Nations and Métis businesses.

DIVIDEND:

- GRF dividend of $361.4 million in 2013.

EQUITY REPAYMENT:

- GRF equity repayment of $143.0 million in 2013.

DEBT REDUCTION:

- No funds were used for debt repayment. CIC (separate) does not carry debt.

CIC's ability to pay dividends to the GRF depends mainly on the level of Crown dividends to CIC, less CIC's operating costs. These costs include support to non-dividend paying Crown corporations and public policy expenditures. Crown dividend levels depend on earnings and capital structure. In addition to cash constraints, CIC's ability to declare dividends to the GRF depends on its retained earnings (a company's retained earnings are the aggregate amount of undistributed earnings since its inception). CIC's earnings and hence, dividend capacity outlook, are sensitive to adverse developments in its operating expenditures and Crown earnings forecasts.

CAPITAL STRUCTURES OF SUBSIDIARY CORPORATIONS

The following table summarizes the target capital structure of CIC's subsidiary corporations that declared dividends to CIC in 2013:

	Capital Structure Measure	Capital Structure Target	2013 Actual Capital Structure	2013 Dividend Payout Rate
SaskTel	Debt Ratio	50.0%	48.7%	90%
SaskEnergy	Debt Ratio	57.0%	58.8%	38%
SGI[1]	Minimum Capital Test	250.0%	231%	65%
CIC AMI[2]	Cash Availability	At target	At target	N/A
SGC	Debt to EBITDA	25.0%	38.0%	80%
SOCO	Debt Ratio	60.0%	15.0%	69%

[1] Minimum Capital Test (MCT) is an indicator of financial flexibility used in the insurance industry.
[2] CIC AMI dividend is determined by cash availability and CIC's cash requirements, which is not dependent on earnings.

Managing Capital Resources in the CIC Crown Sector

LIQUIDITY

CIC and its subsidiary Crown corporations borrow from the GRF, which in turn borrows in the capital markets. With strong credit ratings, the GRF has ample access to capital for anticipated borrowing requirements.

PROVINCE OF SASKATCHEWAN CREDIT RATINGS

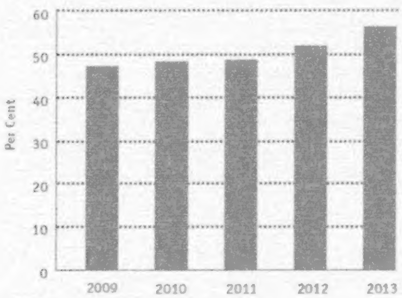
Moody's Investor Service (Moody's)	Aa1
Standard & Poor's (S&P)	AAA
Dominion Bond Rating Service (DBRS)	AA

There are three credit rating agencies in Canada that evaluate and rate the credit worthiness of the Province's sovereign debt. Credit worthiness affects the interest rate at which the Province, including the CIC Crown sector, can borrow. As the credit ratings improve, the interest rates at which the Province can borrow decreases, thereby reducing the costs of borrowing. During 2013, all credit rating agencies confirmed the Province's credit rating and outlook.

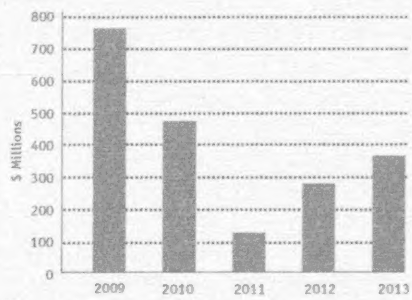
FINANCIAL HEALTH AND DIVIDENDS TO THE GRF

In 2013, CIC provided a dividend of $361.4 million to the GRF.

CONSOLIDATED DEBT RATIO



DIVIDENDS DECLARED TO THE GRF



CIC Consolidated

In 2013, the Crowns embarked on a number of new efficiency initiatives designed to streamline their operations and contain operating costs.

ANALYSIS OF FINANCIAL RESULTS

The following analysis of CIC's consolidated 2013 financial results should be read in conjunction with the audited consolidated financial statements. While this Management Discussion & Analysis (MD&A) is as complete as possible, CIC is bound by confidentiality agreements with its investment partners. In some cases, these agreements limit the information that CIC can release. For purposes of CIC's consolidated MD&A, "CIC" and "Corporation" refers to the consolidated entity. The Corporation's consolidated financial statements are prepared in accordance with IFRS and, as such, consolidate the results of all of the Corporation's subsidiary corporations.

COMPARISON OF 2013 RESULTS WITH 2012 RESULTS

CONSOLIDATED EARNINGS COMPARISON

(millions of dollars)

	2013	2012[1]	2011[1]	2010	2009[2]
SaskPower	$ **113.8**	$ 135.5	$ 248.0	$ 203.5	$ 102.7
SaskTel	**90.1**	106.3	154.0	149.5	129.0
SaskEnergy	**78.9**	106.8	25.5	50.2	93.3
SGI	**39.2**	82.2	0.4	49.3	52.4
SGC	**20.5**	26.3	25.9	22.0	25.4
CIC AMI	**4.7**	(4.3)	35.3	(17.1)	(32.8)
SaskWater	**3.5**	3.0	3.5	0.4	0.5
SOCO	**2.4**	4.3	4.6	6.1	4.1
STC	**(0.1)**	(1.0)	(0.3)	-	(0.8)
SIIF	**1.2**	(0.2)	1.2	0.4	-
ISC	**9.7**	21.2	17.2	15.6	15.1
CIC (separate)	**330.4**	314.0	167.1	236.0	176.7
Consolidation Adjustments[3] & Other	**(128.1)**	(355.5)	(231.5)	(279.6)	(216.9)
Consolidated Earnings	**$ 566.2**	**$ 438.6**	**$ 450.9**	**$ 436.3**	**$ 348.7**
Total Assets	**$ 15,152.7**	**$ 13,108.3**	**$ 11,962.4**	**$ 11,066.3**	**$ 10,256.3**

[1] Results in 2012 and 2011 have been restated to comply with new IFRS guidelines.

[2] Amounts for 2009 were prepared under former Canadian Generally Accepted Accounting Principles.

[3] Consolidation adjustments reflect the elimination of all inter-entity transactions, such as grants from CIC to Crown Corporations, revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC.

Consolidated CIC Crown sector results increased to $566.2 million in 2013 from $438.6 million in 2012. The $127.6 million increase in earnings was primarily due to:

- Gain from discontinued operations of $211.8 million which relates to the sale of 12,075,000 Class A Limited Voting shares of ISC at $14.00 per share and the revaluation of the Corporation's remaining 5,425,000 Class A Limited Voting shares at $14.00 per share; and
- CIC AMI earnings increased $9.0 million to $4.7 million due to a $5.0 million dividend from Meadow Lake OSB Limited Partnership (ML OSB), which CIC AMI later sold for a gain on sale of $8.9 million, offset by losses on disposition of other assets.

Partially offset by:

- SaskPower earnings decreased $21.7 million to $113.8 million due to a change in the mix of power generation, increased salaries, wages and employee benefits, depreciation and amortization, Saskatchewan taxes, losses on disposal of property, plant and equipment and net finance expenses. This was partially offset by increased revenue from a rate increase and higher sales volumes to Saskatchewan customers and exports to the Alberta market;

COMPARISON OF 2013 RESULTS WITH 2012 RESULTS ***(continued)***

CONSOLIDATED EARNINGS COMPARISON ***(continued)***

- SaskEnergy earnings decreased $27.9 million to $78.9 million primarily due to a $34.5 million change in unrealized market value adjustments on natural gas derivatives and physical inventory. This change was slightly offset by weather that was 14.4 per cent colder than the prior year, and record levels of customer connections;
- SaskTel earnings decreased $16.2 million to $90.1 million due to supporting customer growth and enhancing the customer experience through reinvestment in wireless and fibre networks. This was partially offset by an increase in revenues from customer growth and average revenue per user (ARPU); and
- SGI earnings decreased $43.0 million to $39.2 million primarily due to increased claims costs from ice damming and severe storm losses in Saskatchewan, Alberta and Ontario, as well as other large losses in personal lines, commercial lines and agriculture. This was partially offset by higher investment earnings.

SIGNIFICANT EVENTS IMPACTING 2013 CONSOLIDATED RESULTS

During 2013, the following significant events impacted the Corporation's consolidated results:

1. **Sale of ISC Shares (Note 11 to the consolidated financial statements)**
   Pursuant to *The Information Services Corporation Act*, effective May 30, 2013, ISC ceased being a subsidiary Crown Corporation under *The Crown Corporations Act, 1993*, and was continued under *The Business Corporations Act (Saskatchewan)*. Until July 9, 2013, the Corporation continued to control ISC through ownership of 100.0 per cent of the 17,500,000 outstanding Class A Limited Voting shares and therefore ISC operations were consolidated to that date.

   Effective July 9, 2013, and pursuant to an Initial Public Offering (IPO) on the Toronto Stock Exchange, the Corporation sold 10,500,000 of the Class A Limited Voting shares of ISC at $14.00 per share. Effective July 17, 2013, and pursuant to an over-allotment option included in the IPO, the Corporation sold a further 1,575,000 Class A Limited Voting shares of ISC at $14.00 per share. As a result of these transactions, the Corporation no longer controls ISC, and has initially recorded the remaining 5,425,000 Class A Limited Voting shares as an investment in equity accounted investees on the audited Consolidated Statement of Financial Position at a fair market value of $14.00 per share or $76.0 million. This investment is now accounted for using the equity method of accounting. On a combined basis, these transactions resulted in the sale of 69.0 per cent of the Corporation's interest in ISC for net proceeds of $156.2 million and a gain on sale of $211.8 million, which is included in gain from discontinued operations on the audited Consolidated Statement of Comprehensive Income. For further information please see Note 11 of the audited consolidated financial statements.

2. **Actuarial Ga[illegible]on Defined Benefit Plans (Note 30 to the consolidated financial statements)**
   Due primarily to changes in actuarial assumptions and the resulting impacts on the Corporation's defined benefit plan obligations, the Corporation recorded $431.9 million in other comprehensive income (2012 - $37.4 million loss).

ACCOUNTING POLICY DEVELOPMENTS IMPACTING FUTURE CONSOLIDATED RESULTS

As disclosed in Note 4(u) to the consolidated financial statements, a number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2013, and have not been applied in preparing the consolidated financial statements. Note 4(u) includes management's assessment of the potential impacts on the consolidated financial statements known at this time.

ANALYSIS OF 2013 CONSOLIDATED REVENUES AND EXPENSES

OPERATING INCOME

Total revenue was $4,802.9 million (2012 - $4,468.6 million), an increase of $334.3 million. The improvement in operating revenue was accompanied by a $5.0 million increase in other income.

Operating revenue was $4,788.0 million (2012 - $4,558.7 million). Improved operating revenues from insurance and the utility segment were slightly offset by lower operating revenue from entertainment.

Insurance related operating revenue increased by $19.9 million to $502.7 million (2012 - $482.8 million) as a result of premium growth mainly in Saskatchewan and Alberta.

Utility operating revenue was $4,211.6 million (2012 - $3,880.8 million), an increase of $330.8 million primarily due to the following:

- $199.1 million increase in SaskPower operating revenue primarily due to higher Saskatchewan electricity sales which was a result of the system-wide average rate increase of 5.0 per cent that became effective January 1, 2013, combined with an increased power usage in Saskatchewan and an increase in export revenue from market opportunities in Alberta;
- $110.1 million increase in SaskEnergy operating revenue due to an increase of $106.0 million in gas marketing activity, which attempts to optimize the storage and transportation capacity available to SaskEnergy to earn a positive margin. Also contributing to the increase was colder weather in 2013 and record levels of customer connections; and
- $22.7 million increase in SaskTel operating revenue is driven by customer growth in wireless, *Max*™, Internet and data services as well as an increase in the ARPU for these services. This was slightly offset by decreases in wireline revenues due to customers replacing wireline with wireless alternatives.

Slightly offset by:

- $1.1 million decrease in SaskWater operating revenue, primarily a result of potash sector project management activities that decreased when the projects moved from the design phase to the construction phase. This was partially offset by growth of new and existing customers.

Entertainment-related operating revenue decreased $10.2 million or 7.4 per cent to $127.0 million (2012 - $137.2 million). The decrease in earnings was driven by a decline in guest visitation and net average guest spend.

Other income increased by $5.0 million to $14.9 million (2012 - $9.9 million). The increase is due primarily to the amortization of the Aboriginal Affairs and Northern Development funding for internet service to selected First Nations schools and health facilities in Saskatchewan and the amortization of customer contributions for water infrastructure assets that are now in service.

OPERATING EXPENSES

Total operating expenses were $4,173.6 million (2012 - $3,805.2 million), an increase of $368.4 million from 2012. Higher operating costs, salaries, wages and short-term benefits, depreciation and amortization, provisions for decommissioning and environmental remediation liabilities and Saskatchewan taxes and fees were slightly offset by a decrease in impairment losses.

Operating costs increased by $268.8 million to $2,453.0 million (2012 - $2,184.2 million) primarily due to higher insurance and utility related operating costs.

ANALYSIS OF 2013 CONSOLIDATED REVENUES AND EXPENSES *(continued)*

OPERATING EXPENSES *(continued)*

Operating costs related to insurance activities increased $82.8 million to $435.8 million (2012 - $353.0 million). Claims incurred increased with all jurisdictions having a higher loss ratio than 2012, except Ontario. The unfavourable results were due to a combination of ice damming claims, severe storm losses in Saskatchewan, Alberta and Ontario, and other large losses in personal lines, commercial lines and agriculture.

Utility operating costs increased by $198.5 million to $2,062.4 million (2012 - $1,863.9 million), primarily due to:

- $115.9 million increase at SaskEnergy mainly related to a growing customer base; becoming a net importer of natural gas; increase in gas marketing activity that increased costs by $121.0 million; and a $34.5 million change in unrealized market value. This was partially offset by a lower average cost of natural gas sold, which dropped to $3.48 per gigajoule (GJ) in 2013 compared to $4.11 per GJ in 2012;
- $70.2 million increase at SaskPower related to increased fuel and purchased power costs from increased generation and an unfavourable change in the fuel mix as lower cost coal generation was replaced with more expensive natural gas generation. Also increasing costs was a $59.4 million change in unrealized market value adjustments in 2013; and
- $15.2 million increase at SaskTel primarily due to increased goods and services purchased to support revenue growth in wireless, *Max*™, data and internet revenues.

Partially offset by:

- $2.8 million decrease at SaskWater due to decreases in project management activities.

Salaries, wages and short-term employee benefits increased by $38.1 million to $830.4 million (2012 - $792.3 million) primarily due to an average wage and salary increase of 4.8 per cent in 2013.

Depreciation and amortization increased $49.0 million to $643.0 million (2012 - $594.0 million) primarily due to:

- $38.8 million increase at SaskPower primarily from $1,318.5 million in capital expenditures in 2013 including new generation, customer connects, the life extension of existing infrastructure and other strategic capital initiatives;
- $5.2 million increase at SaskTel resulting from $351.1 million in capital expenditures in 2013 including Fibre to the Premises and wireless network upgrades as well as Customer Relationship Management, Wireless Delivery Environment and Field Services Efficiency software; and
- $3.9 million increase at SaskEnergy primarily from $221.2 million in capital expenditures in 2013 for system expansion and its robust safety programming and predictive integrity management systems.

Saskatchewan taxes and fees increased by $5.5 million to $137.6 million (2012 - $132.1 million) due to a $7.3 million increase in Saskatchewan capital taxes as a result of growth in the Corporation's capital tax base, a $2.2 million increase in grants in lieu of taxes to municipalities, partially offset by a $5.8 million decrease in gaming fees directly resulting from lower net earnings at SGC.

NET FINANCE EXPENSES

Net finance expenses increased $71.2 million to $322.4 million (2012 - $251.2 million) primarily a result of:

- $79.9 million increase related to interest expense on higher debt balances attributed to the Corporation's large capital expenditure program;
- $31.8 million increase in net finance expense from the change in the fair value of financial assets at fair value through profit or loss, primarily due to unrealized sinking fund losses;
- $5.3 million decrease in realized sinking fund earnings; and
- $5.5 million decrease in interest income from defined benefit pension plans.

ANALYSIS OF 2013 CONSOLIDATED REVENUES AND EXPENSES *(continued)*

NET FINANCE EXPENSES *(continued)*

Partially offset by:

- $18.5 million increase in gain on sale of investments at fair value through profit or loss primarily related to SGI investments; and
- $28.9 million increase in capitalized interest due to higher capital expenditures.

NON-OPERATING ITEMS

Share of earnings from equity accounted investees increased by $15.9 million to $28.4 million (2012 - $12.5 million) primarily due to ISC becoming an equity accounted investee, slightly offset by decreases in earnings from the sale of Jump.ca and ML OSB.

The sale of ISC shares resulted in net proceeds of $156.2 million and a gain on sale of $211.8 million which is included in gain from discontinued operations on the audited Consolidated Statement of Comprehensive Income.

Net gain on sale of equity accounted investees in 2013 was $9.4 million (2012 - $7.4 million loss). This is primarily due to the sale of ML OSB for proceeds of $30.0 million and a gain on sale of $8.9 million.

The following table illustrates the disclosure of these items in the Corporation's 2013 consolidated financial statements (millions of dollars):

	2013	2012
Non-Operating Items		
Earnings from operations	$ 306.9	$ 412.3
Share of earnings from equity accounted investees	28.4	12.5
Gain from discontinued operations	221.5	21.2
Gain (loss) on sale of equity accounted investees	9.4	(7.4)
Consolidated Earnings	$ 566.2	$ 438.6

ANALYSIS OF 2013 CONSOLIDATED CAPITAL RESOURCES

CONSOLIDATED DEBT

The Corporation closely monitors the debt levels of its subsidiaries, utilizing the debt ratio as a primary indicator of financial health. The debt ratio measures the amount of debt in a corporation's capital structure. The Corporation uses this measure in assessing the extent of financial leverage and in turn, financial flexibility for its subsidiary Crown corporations. Too high a ratio relative to target, which is determined according to industry standards, indicates a debt burden that may impair a corporation's ability to withstand downturns in revenues and still meet fixed payment obligations.

The ratio is calculated as net debt divided by capitalization at the end of the year.

The Corporation reviews the debt ratio targets of all its subsidiary Crown corporations on an annual basis to ensure comparability with industry standards. This review includes subsidiary Crown corporations' plans for capital spending. The target debt ratios for subsidiary Crown corporations are approved by the Board of Directors. The Corporation uses targeted debt ratios to compile a weighted average debt ratio for the Crown sector. The target ratio for 2013 was 57.9 per cent.

For further information on the Corporation's approach to capital management, please refer to Note 24 of the audited consolidated financial statements.

ANALYSIS OF 2013 CONSOLIDATED CAPITAL RESOURCES *(continued)*

CONSOLIDATED DEBT *(continued)*

The following table shows the Corporation's consolidated debt level and debt ratio:

	2013	2012[1]	2011[1]	2010	2009[2]
Consolidated debt	$ 6,624.0M	$ 5,709.7M	$ 4,772.1M	$ 4,440.9M	$ 4,205.9M
Consolidated debt ratio	56.2%	52.4%	48.6%	49.7%	47.5%

[1] Results in 2012 and 2011 have been restated to comply with new IFRS guidelines.
[2] Amounts for 2009 were prepared under former Canadian Generally Accepted Accounting Principles.

Debt on a consolidated basis was $6,624.0 million (2012 - $5,709.7 million) or an increase of $914.3 million from 2012. The increase is primarily attributed to higher debt at SaskPower ($628.8 million), SaskTel ($168.0 million) and SaskEnergy ($54.6 million). The increase in debt was mainly required to fund a portion of the $1,873.4 million in 2013 capital expenditures. Debt also increased by $70.1 million at SIIF reflecting increased amounts received from the IIP which is restricted for use in Saskatchewan's HeadStart on a Home program as described in Note 9(b) to the consolidated financial statements. Over the last three years, debt has increased $2,183.1 million in support of increased assets of $4,086.3 million.

CAPITAL SPENDING

Capital spending (property, plant and equipment, investment property and intangible asset purchases) increased $369.1 million to $1,873.4 million (2012 - $1,504.3 million). Major 2013 capital expenditures included:

- $1,318.5 million at SaskPower on various capital projects including the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project, renewing other generation assets, customer connections, and the life extension of existing infrastructure;
- $355.8 million at SaskTel on Fibre to the Premise and continued enhancements to the wireless networks as well as Wireless Delivery Environment, Customer Relationship Management and Field Services Efficiency software;
- $221.2 million at SaskEnergy for system expansion resulting from growth in Saskatchewan. SaskEnergy has a commitment to expand the capacity and maintain the integrity of its distribution and transmission systems; and
- $36.1 million at SaskWater from new and ongoing major capital projects for potable and non-potable infrastructure.

Investment purchases were $1,323.8 million (2012 - $774.0 million), a $549.8 million increase from 2012 primarily due to:

- $487.0 million increase in purchases by SGI due to efforts to manage its investment portfolio mix during the year;
- $33.4 million increase in purchases by SIIF reflecting the initiation of loans to builders and developers under the HeadStart on a Home program; and
- $36.8 million increase at CIC AMI primarily due to its investment bonds to better match the anticipated maturity of environmental liabilities, offset by a decrease in CIC AMI's short-term investment fund.

ANALYSIS OF 2013 CONSOLIDATED CAPITAL RESOURCES *(continued)*

OPERATING, INVESTING AND FINANCING ACTIVITIES

Cash Flow Highlights
(millions of dollars)

	2013	2012
Net cash from operations	$ 1,116.9	$ 935.2
Net cash used in investing activities	(1,500.3)	(1,601.9)
Net cash (used in) from financing activities		
Dividends paid	(361.4)	(280.1)
Equity advances repaid to GRF	(143.0)	-
Debt proceeds received	759.8	543.2
Debt repaid	(162.6)	(58.6)
Other financing activities	366.4	424.1
Change in Cash	$ 75.8	$ (38.1)

Cash from operations increased by $181.7 million to $1,116.9 million (2012 - $935.2 million). Cash from operations was impacted by:

- Improved earnings of $127.6 million;
- $37.7 million decrease in adjustments to reconcile earnings to cash provided by operating activities (see details in Note 31 to the audited consolidated financial statements);
- $219.5 million increase in net change in non-cash working capital balances mainly due to an increase of $112.0 million at SaskPower from capital expenditures that have caused payables to increase, a $33.1 million increase at SGI primarily from the provision for unpaid claims due to ice damming claims and severe storm losses, and a $61.6 million increase at SaskEnergy primarily related to natural gas in storage held-for-sale due to increased gas marketing activity;
- $42.2 million drop in net cash inflows provided by discontinued operations; and
- $85.7 million increase in interest paid from increased borrowing.

Cash used in investing activities decreased $101.6 million to $1,500.3 million (2012 - $1,601.9 million) primarily due to:

- Increased proceeds for sale and collection of investments of $910.4 million, mostly due to the turnover in SGI's investment portfolio; and
- Net proceeds from the sale of ISC shares of $156.2 million.

Mostly offset by:

- $549.8 million increase in investment purchases primarily a result of the turnover in SGI's investment portfolio; and
- $372.4 million increase in purchases of capital assets primarily from SaskPower, SaskTel and SaskEnergy.

ANALYSIS OF 2013 CONSOLIDATED CAPITAL RESOURCES *(continued)*

OPERATING, INVESTING AND FINANCING ACTIVITIES *(continued)*

Net cash from financing activities was $459.1 million (2012 - $628.5 million). The $169.4 million decrease in cash inflows is primarily due to:

- $216.5 million increase in debt proceeds from increased capital asset purchases;
- $143.0 million increase in equity advances repaid to the GRF;
- $104.1 million increase in debt repayments;
- $81.3 million increase in dividends paid to the GRF; and
- $45.2 million increase in other liabilities.

The decrease was partially offset by a decrease in net proceeds from notes payable of $130.4 million compared to 2012.

COMPARISON OF 2013 RESULTS WITH BUDGET

(millions of dollars)

	2013 Earnings		2013 CIC Dividends	
	Budget	Actual	Budget	Actual
SaskPower	$ 126.1	$ 113.8	$ -	$ -
SaskTel	93.8	90.1	84.4	81.1
SaskEnergy	72.4	78.9	27.5	30.4
SGI	36.5	39.2	23.7	25.6
SGC	26.4	20.5	21.1	16.4
CIC AMI	4.1	4.7	35.0	35.0
SaskWater	4.0	3.5	-	-
SOCO	4.3	2.4	2.8	1.7
STC	(0.3)	(0.1)	-	-
SIIF	1.9	1.2	-	-
ISC[1]	15.1	9.7	13.6	12.3
CIC (separate), Other, Adjustments[2]	42.2	202.3	-	-
Totals	$ 426.5	$ 566.2	$ 208.1	$ 202.5

[1] ISC actual earnings are reflected as of June 30, 2013. Actual dividends include $1.0 million received after June 30, 2013.

[2] Included in CIC (separate), Other, Adjustments is the elimination of all inter-entity transactions, such as grants from CIC to Crown corporations, revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC.

COMPARISON OF 2013 RESULTS WITH BUDGET *(continued)*

The preceding table shows results for the commercial Crown corporations in 2013 in comparison to business plan targets. Consolidated earnings for 2013 of $566.2 million were $139.7 million higher than budgeted earnings of $426.5 million. Dividends to CIC in 2013 of $202.5 million were $5.6 million below budgeted dividends of $208.1 million. Dividend revenue is directly proportionate to the earnings of the dividend paying Crown corporations. Accordingly, the dividend variances reported for all subsidiaries mainly related to favourable or unfavourable actual versus budgeted earnings impacts. Earnings variances are explained as follows:

- SaskPower earnings were $12.3 million lower than budget due to unrealized market value adjustments of $53.4 million that are not budgeted for, partially offset by an increase of $35.8 million in revenues from increased export sales prices caused by unit outages in Alberta and lower expenses of $5.3 million. Excluding unrealized market value adjustments, earnings from operations were $41.1 million above budget primarily due to increased export market opportunities;
- SaskTel earnings were $3.7 million lower than budget due to lower revenues of $20.5 million from lower than expected new services revenue and lower than expected wireless subscribers partially offset by an increase in wireless ARPU combined with lower expenses as a result of cost containment initiatives and vacancy management;
- SaskEnergy earnings were $6.5 million above budget primarily due to weather that was 12.5 per cent colder than the norm for the past 30 years that resulted in increased natural gas volume and revenue;
- SGI earnings were $2.7 million above budget primarily due to strong investment returns, offset partially by higher than expected claim costs and commissions;
- SGC earnings were $5.9 million lower than budget primarily due to lower slot revenue and $3.1 million from the organizational restructuring partially offset by a slight increase in table game revenue and decreases in expenses from cost containment initiatives;
- SaskWater earnings were $0.5 million lower than budget primarily as a result of negative market adjustments on sinking funds;
- SOCO earnings were $1.9 million lower than budget primarily due to increased losses at the Bio Processing Centre, partially offset by increased rental operations as a result of increased rental rates and timing differences in the projected timing of tenants vacating; and
- SIIF earnings were $0.7 million lower than budget primarily due to the impact of lower premiums on debt due to the Government of Canada.

A CLOSER VIEW OF CIC'S HOLDINGS

The Corporation is involved in a broad array of industries through various forms of investment. A number of investments are held as wholly-owned subsidiaries, while others are joint ventures and partnerships held through CIC's wholly-owned subsidiaries.

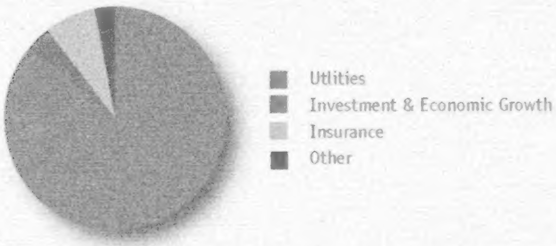
INVESTMENT	MAJOR BUSINESS LINE
	Utilities:
Saskatchewan Power Corporation (SaskPower)	Electricity
Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	Telecommunications
SaskEnergy Incorporated (SaskEnergy)	Natural Gas Storage and Delivery
Saskatchewan Water Corporation (SaskWater)	Water and Wastewater Management
	Insurance:
Saskatchewan Government Insurance (SGI)	Property and Casualty
	Entertainment:
Saskatchewan Gaming Corporation (SGC)	Gaming
	Investment and Economic Growth:
CIC Asset Management Inc. (CIC AMI)	Investments
Saskatchewan Opportunities Corporation (SOCO)	Research Parks
Saskatchewan Immigrant Investor Fund (SIIF)	Construction Loans
	Transportation:
Saskatchewan Transportation Company (STC)	Passenger and Freight Transportation

Profiles of material subsidiary corporations are included in this section. Each subsidiary Crown corporation prepares an annual report, which is tabled in the Legislative Assembly. These annual reports can be found through CIC's website at www.cicorp.sk.ca.

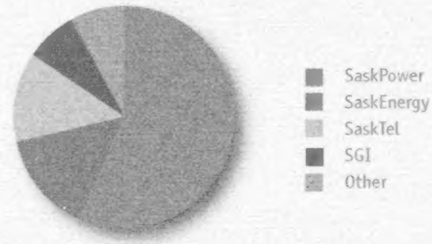
The data on the following page illustrates the importance of the utility and insurance business segments to the financial results of the Corporation. Of these corporations, SaskPower, SaskTel, SaskEnergy and SGI are the most significant in terms of assets, liabilities, and operating earnings generated.

SEGMENTED INFORMATION

TOTAL ASSETS BY BUSINESS SEGMENT



TOTAL ASSETS BY CORPORATION



(millions of dollars)	Utilities		Entertainment		Insurance		Transportation		Investment & Economic Growth		Other & Adjustments[1]		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Statement of Income for the year ended December 31														
Total revenue	4,230	3,971	127	137	503	483	16	16	45	44	(118)	(182)	4,803	4,469
Operating expenses & other	(3,565)	(3,311)	(105)	(110)	(522)	(434)	(16)	(17)	(52)	(55)	86	122	(4,174)	(3,805)
Net finance (expenses) income	(382)	(292)	(1)	(1)	58	32	-	-	-	6	3	4	(322)	(251)
Earnings (loss) before the following:	283	368	21	26	39	81	-	(1)	(7)	(5)	(29)	(56)	307	413
Share of net earnings from equity accounted investees	3	5	-	-	-	-	-	-	5	7	20	-	28	12
Gain from discontinued operations	10	-	-	-	-	-	-	-	-	-	212	21	222	21
Net loss on sale of equity accounted investees	-	-	-	-	-	-	-	-	9	(7)	-	-	9	(7)
Earnings (loss)	296	373	21	26	39	81	-	(1)	7	(5)	203	(35)	566	439
Statement of Financial Position as at December 31														
Current assets	1,101	1,072	12	12	447	409	4	3	267	280	279	371	2,110	2,147
Investments & other	602	620	-	-	650	638	-	-	95	85	96	2	1,443	1,345
Capital assets[2]	11,342	9,359	67	67	33	32	36	36	176	179	(54)	(57)	11,600	9,616
	13,045	11,051	79	79	1,130	1,079	40	39	538	544	321	316	15,153	13,108
Current liabilities	2,599	2,232	29	24	581	551	3	3	22	19	(76)	(109)	3,158	2,720
Long-term debt	4,895	4,260	3	11	-	-	-	-	202	132	-	-	5,100	4,403
Finance lease obligations	1,131	430	6	7	-	-	-	-	-	-	-	-	1,137	437
Other	642	932	-	-	254	249	30	29	64	69	(66)	(71)	924	1,208
	9,267	7,854	38	42	835	800	33	32	288	220	(142)	(180)	10,319	8,768
Province's equity	3,778	3,197	41	37	295	279	7	7	250	324	463	496	4,834	4,340
	13,045	11,051	79	79	1,130	1,079	40	39	538	544	321	316	15,153	13,108
Statement of Cash Flows for the year ended December 31														
Operating activities														
Ongoing operations	1,062	852	26	33	50	79	-	(1)	10	9	(10)	(58)	1,138	914
Discontinued operations	(3)	-	-	-	-	-	-	-	-	-	(18)	21	(21)	21
	1,059	852	26	33	50	79	-	(1)	10	9	(28)	(37)	1,117	935
Investing activities														
Capital asset purchases[2]	(1,852)	(1,490)	(7)	(5)	(6)	(5)	(3)	(3)	(6)	(9)	-	2	(1,874)	(1,510)
Other	9	11	-	-	45	(89)	-	-	(19)	(34)	339	20	374	(92)
	(1,843)	(1,479)	(7)	(5)	39	(94)	(3)	(3)	(25)	(43)	339	22	(1,500)	(1,602)
Financing activities														
Debt proceeds	690	502	-	-	-	-	-	-	70	41	-	-	760	543
Debt repayments	(161)	(58)	(2)	(1)	-	-	-	-	-	-	-	1	(163)	(58)
Dividends paid to CIC	(105)	(271)	(20)	(21)	(58)	(10)	-	-	(40)	(19)	(139)	41	(362)	(280)
Equity (repaid) received	-	-	-	(9)	-	-	-	-	(45)	-	(98)	9	(143)	-
Other	369	426	-	-	(2)	(1)	4	2	3	3	(7)	(6)	367	424
	793	599	(22)	(31)	(60)	(11)	4	2	(12)	25	(244)	45	459	629
Change in Cash	9	(28)	(3)	(3)	29	(26)	1	(2)	(27)	(9)	67	30	76	(38)

[1] Other and adjustments includes the operations of CIC (separate) and consolidation elimination entries.
[2] Capital assets include property plant and equipment, investment property and intangible assets.

SaskPower

In 2013, Saskatchewan set a record of 3,543 megawatts for peak load and 76,889 megawatt hours for daily energy consumption. To meet this demand, SaskPower supplied a record 23,155 gigawatt hours of gross electricity while pursuing its mission of providing reliable, affordable and sustainable power.

COMPARISON OF 2013 RESULTS WITH 2012 RESULTS

- Earnings of $113.8 million (2012 - $135.5 million) decreased primarily due to higher fuel, depreciation and finance expenses and unrealized market value adjustments.
- Revenue of $2,045.3 million (2012 - $1,855.6 million) increased largely due to higher Saskatchewan electricity sales which was a result of the system-wide average rate increase of 5.0 per cent that became effective January 1, 2013; electricity sales volumes to Saskatchewan customers, which were 20,753 GWh, up 1,256 GWh or 6.4 per cent compared to the prior year; and, export sales increased due to higher sales prices and volumes as a result of increased market opportunities in Alberta.
- Expenses of $1,878.1 million (2012 - $1,726.2 million) increased due to rising depreciation and finance charges as a result of the record capital investments over the past two years. Fuel and purchased power costs were up as a result of increased generation and an unfavourable change in the fuel mix as lower cost coal generation was replaced with more expensive natural gas generation.
- SaskPower recorded $53.4 million in unrealized market value losses in 2013 (2012 - $6.1 million net gains). The unrealized market value losses represent the change in the market value of SaskPower's outstanding natural gas hedges, electricity contracts and sinking funds.
- Gross long-term and short-term debt including finance leases of $5,508.8 million (2012 - $4,177.7 million) increased due to additional borrowings during the year to finance capital expenditures and the commissioning of the North Battleford Generating Station in June 2013.
- SaskPower invested $1,318.5 million (2012 - $980.9 million) in various capital projects including the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project, renewing other generation assets, customer connections and the life extension of existing infrastructure.
- Debt ratio of 69.8 per cent (2012 - 67.1 per cent) increased as a result of the increased borrowings during the year.
- Return on equity of 5.5 per cent (2012 - 6.8 per cent) decreased due to lower earnings.
- Dividends declared to CIC was Nil (2012 - $120.0 million).

KEY FINANCIAL DATA	2013 Actual	2013 Bus. Plan	2012 Actual	2011 Actual	2010 Actual	2009[1] Actual
Earnings	$ 113.8M	$ 126.1M	$ 135.5M	$ 248.0M	$ 203.5M	$ 102.7M
Operating earnings	$ 167.2M	$ 126.1M	$ 129.4M	$ 238.7M	$ 222.5M	$ 96.1M
Dividend declared to CIC	Nil	Nil	$ 120.0M	Nil	Nil	Nil
Total assets	$8,604.4M	$8,472.6M	$ 6,969.2M	$ 6,281.7M	$ 5,698.8M	$ 4,948.8M
ROE	5.5%	6.4%	6.8%	13.7%	12.3%	6.5%
Debt ratio	69.8%	71.3%	67.1%	63.0%	63.0%	61.4%

[1] Amounts for 2009 were prepared under former Canadian Generally Accepted Accounting Principles.

COMPARISON OF 2013 RESULTS WITH BUDGET

- Operating earnings were $41.1 million above the budget of $126.1 million primarily due to increased export market opportunities.
- Revenues were $35.9 million higher than the budget of $2,009.4 million as a result of increased export sales prices caused by unit outages in Alberta.
- Expenses were $5.3 million lower than the $1,883.3 million budget primarily due to a decrease in capital related expenses including depreciation and finance charges as a result of the deferral of the commissioning of the North Battleford Generating Station until June of 2013. These decreases were offset by higher losses on asset retirements and disposals and additional environmental provisions established for the clean-up of various diesel site locations.

2014 OUTLOOK

- Operating earnings are expected to decrease in 2014 to $26.9 million. Depreciation, finance charges, taxes and other expenses are expected to increase as a result of record capital investments made over the last two years. Fuel and purchased power costs are expected to increase due to higher generation volumes to source increased demand, rising natural gas prices and an unfavourable change in the fuel mix. Operating costs are expected to increase primarily due to increased operation and maintenance activities at SaskPower's generation facilities.
- These increases in expenses are expected to be partially offset by higher Saskatchewan electricity sales due to the system-wide average interim rate increase of 5.5 per cent that becomes effective January 1, 2014 and an increase in domestic demand.
- SaskPower plans to continue making significant investments in its generation, transmission and distribution infrastructure with anticipated capital expenditures of approximately $1.2 billion in 2014.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- SaskPower's asset maintenance is critical to infrastructure reliability, system security and availability. By assessing critical asset risk and developing a responsive asset management plan, SaskPower is able to optimize capital spending and manage its assets efficiently and effectively.
- SaskPower may be subject to criminal or malicious attacks, both in cyber and physical ways, potentially resulting in disruption of business operations and services and loss of or damage to information, facilities and equipment. SaskPower maintains industry standard policies, processes and technical safeguards to ensure only authorized access and use of its information systems and corporate assets.
- SaskPower must actively manage significant rising costs, balance rate increases with the impact on customers, while maintaining corporate financial health.

KEY OPERATIONAL DATA

	2013	2012	2011	2010	2009
Total customer accounts	**500,879**	490,611	481,985	473,007	467,329
Gross electricity supplied (gigawatt hours)	**23,155**	22,129	21,611	20,759	19,864
Available generating capacity (net megawatts)	**4,281**	4,104	4,094	3,982	3,840
Annual peak load (net megawatts)	**3,543**	3,314	3,195	3,162	3,231
Power lines (kilometres)	**151,625**	151,257	151,966	150,085	149,497
Permanent full-time employees	**3,008**	2,830	2,701	2,727	2,653

SaskTel

SaskTel's transformation to an Information and Communications Technology company, including a record setting capital program, lays the groundwork for future high quality services to Saskatchewan residents and businesses.

COMPARISON OF 2013 RESULTS WITH 2012 RESULTS

- SaskTel has, for the fourteenth consecutive year, been named one of the Top 100 Employers in Canada; for the fifth consecutive year, been named one of Canada's Greenest Employers; and been named as one of Canada's Top Employers for Young People by MediaCorp Canada Inc. SaskTel has also been ranked number one in overall customer service among full service wireless carriers.
- SaskTel's communication services continue to expand throughout the province with over 1.4 million customer connections. During 2013, SaskTel continued expansion of Fibre to the Premises (FTTP), a program to provide broadband access to the province, as well as upgrades and expansion of the wireless network, the largest in Saskatchewan.
- Earnings for the year were $90.1 million (2012 - $106.3 million), down $16.2 million from 2012, and cash provided by operating activities was $275.2 million (2012 - $287.5 million).
- Total operating revenues increased to $1,205.1 million in 2013 (2012 - $1,182.4 million), up $22.7 million or 1.9 per cent primarily due to continued strong customer growth in cellular, *Max*™, wireless, Internet and data services as well as an increased in the average revenue per user (ARPU).
- Total operating expenses were $1,092.0 million (2012 - $1,054.3 million), up $37.7 million from 2012 primarily due to increased goods and services purchased to support revenue growth in wireless, *Max*™, data and internet revenues. In addition, depreciation and amortization increased $5.6 million due to increased plant in service.
- Net financing expense increased to $37.2 million in 2013 (2012 - $32.5 million), up $4.7 million or 14.5 per cent. This is primarily driven by decreases in the fair value of sinking funds.
- Debt increased to $834.5 million (2012 - $666.5 million) due the issuance of short-term debt during the year. The overall level of debt increased to support increased investing activities.
- Net capital expenditures for the year are $355.8 million (2012 - $329.8 million), up $26.0 million from 2012, primarily due to significant capital spending on corporate priority programs such as the wireless network and FTTP as well as increased spending on intangible assets such as software for the wireless delivery environment, customer relationship management and field services efficiency program.

KEY FINANCIAL DATA	2013 Actual	2013 Bus. Plan	2012 Actual	2011 Actual	2010 Actual	2009[1] Actual
Earnings	$ 90.1M	$ 93.8M	$ 106.3M	$ 154.0M	$ 149.5M	$ 129.0M
Operating revenue	$1,205.1M	$1,225.6M	$ 1,182.4M	$ 1,125.8M	$ 1,113.0M	$1,119.6M
Dividend declared to CIC	$ 81.1M	$ 84.4M	$ 84.3M	$ 138.6M	$ 139.7M	$ 103.2M
Total assets	$2,009.6M	$1,956.7M	$ 1,810.0M	$ 1,635.2M	$ 1,547.4M	$1,416.8M
ROE	12.0%	12.4%	14.4%	20.7%	20.5%	16.2%
Debt ratio	48.7%	48.1%	43.5%	37.6%	36.1%	24.4%

[1] Amounts for 2009 were prepared under former Canadian Generally Accepted Accounting Principles.

- Debt ratio of 48.7 per cent (2012 - 43.5 per cent) increased as a result of increased short-term debt, partially offset by increased sinking funds and cash.
- Return on equity decreased to 12.0 per cent (2012 - 14.4 per cent) primarily due to lower earnings.
- Dividends of $81.1 million (2012 - $84.3 million) were declared in 2013.

COMPARISON OF 2013 RESULTS WITH BUDGET

- Earnings of $90.1 million were $3.7 million lower than budget.
- Operating revenues of $1,205.1 million were $20.5 million lower than budget primarily due to lower than expected new services revenue and lower than expected wireless subscribers partially offset by an increase in wireless ARPU.
- Operating expenses of $1,092.0 million were $13.4 million favourable primarily due to cost containment initiatives, favourable salaries and benefits as a result of a higher vacancy rate, and reduced depreciation and amortization due to lower than budgeted plant in service, partially offset by increased hardware subsidies.
- Net financing expense of $37.2 million was $5.3 million higher than budget primarily due to declines in the fair value of sinking funds.

2014 OUTLOOK

- Earnings are projected to decrease to $59.2 million in 2014.
- Revenues from new services and growth initiatives including cellular, Internet and *Max*™ services are projected to increase while revenues from local and long distance services are expected to decline. SaskTel forecasts in excess of $1 billion revenues for the ninth year in a row.
- Expenses are expected to increase with the largest increases to depreciation and amortization as a result of significant spending on wireless and fibre networks and software projects.
- SaskTel has budgeted $354.7 million for capital expenditures during 2014.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- To meet customer needs, SaskTel is redefining itself by transforming from a traditional telecom to an Information and Communications Technology (ICT) company. To be successful SaskTel needs the proper balance of investment in new and legacy services to maximize the market opportunities. SaskTel formed an ICT Business Solutions department to specialize in ICT services to deliver greater value through a customer centric approach.
- SaskTel needs the systems and processes in place to deliver future products and services to meet customer needs. A future state architecture roadmap, which includes major projects, some of which are already in progress, is in place and replacements are occurring.
- To remain competitive, maintain market share and increase profitability, SaskTel must evolve its aging infrastructure. As SaskTel transforms, both legacy and new infrastructure will need to be supported, therefore, regular prioritization of capital investment and workload will need to occur to ensure the right balance and successful transition.
- With more than 1,400 locations throughout the province, SaskTel faces significant business interruption risk. SaskTel implemented stringent loss prevention programs as well as a Business Continuity Management program to respond to events where critical business functions and processes are disrupted.

KEY OPERATIONAL DATA	2013	2012	2011	2010	2009
Full-time equivalent employees[1]	**4,079**	4,031	4,053	4,328	3,479
Wireless accesses	**615,694**	607,659	594,405	568,904	549,767
Wireline accesses	**467,957**	492,070	514,351	528,546	543,585
Internet and data accesses	**254,873**	250,068	246,472	243,054	238,324
Max™ subscribers	**101,147**	97,262	93,960	85,537	77,831

[1] 2013, 2012, 2011 and 2010 reported as full-time equivalent employees. 2009 reported as permanent full-time employees.

SaskEnergy

Customer growth and cold weather combined with effective cost and capital management contributed to a strong financial performance by SaskEnergy, exceeding all financial targets in 2013.

COMPARISON OF 2013 RESULTS WITH 2012 RESULTS

- SaskEnergy experienced another successful year in 2013. Familiar factors served as primary business drivers, including high levels of customer activity, a continuing low natural gas price environment and increased public attention toward buried infrastructure safety practices.
- Natural gas prices continued to be a factor that can drive significant volatility, as evidenced by the $34.5 million change in unrealized market value adjustments on a year-over-year basis. As a result, earnings of $78.9 million were below 2012 ($106.8 million). Given the volatility in unrealized market value adjustments, SaskEnergy uses operating earnings (income before unrealized market value adjustments) to compare performance from period to period.
- Operating earnings of $79.0 million (2012 - $72.4 million) increased mainly due to weather that was 14.4 per cent colder than 2012 and as well as record levels of customer connections.
- Revenues were $908.1 million (2012 - $797.8 million) and expenses were $782.1 million (2012 - $649.9 million) reflecting higher natural gas volumes in 2013.
- Net finance expense increased to $47.1 million (2012 - $41.1 million) primarily related to a decline in the fair value of sinking funds.
- Capital investment totaled $221.2 million (2012 - $180.0 million). The high level of capital investment reflects system expansion resulting from growth in Saskatchewan as well as the Corporation's commitment to its robust safety programming and predictive integrity management systems.
- The high level of capital investment also led to an increase in gross debt to $1,141.8 million (2012 - $1,087.2 million).
- Dividends of $30.4 million (2012 - $27.2 million) were declared to CIC based on operating earnings of $79.0 million.

KEY FINANCIAL DATA	2013 Actual	2013 Bus. Plan	2012 Actual	2011 Actual	2010 Actual	2009[1] Actual
Earnings	$ 78.9M	$ 72.4M	$ 106.8M	$ 25.5M	$ 50.2M	$ 93.3M
Operating earnings	$ 79.0M	$ 72.4M	$ 72.4M	$ 83.9M	$ 67.7M	$ 64.0M
Dividend declared to CIC	$ 30.4M	$ 27.5M	$ 27.2M	$ 39.1M	$ 48.8M	$ 51.2M
Total assets	$2,207.6M	$2,126.0M	$2,037.1M	$ 1,924.0M	$ 1,857.8M	$1,586.9M
ROE	11.0%	10.6%	11.0%	13.6%	10.8%	13.5%
Debt ratio	58.8%	60.9%	59.3%	60.3%	58.7%	63.9%

[1] Amounts for 2009 were prepared under former Canadian Generally Accepted Accounting Principles.

COMPARISON OF 2013 RESULTS WITH BUDGET

- SaskEnergy does not budget market value adjustments, as these adjustments fluctuate and do not necessarily represent the amount that will be realized. Operating earnings of $79.0 million were $6.6 million above the budget.
- Weather throughout 2013 was 12.5 per cent colder than normal (based on weather data for the past 30 years) resulting in additional natural gas volumes sold. When combined with a lower average cost of gas, both delivery revenue and realized margin on commodity sales were well above budget.
- SaskEnergy's commodity rate is designed to recover the cost of natural gas sold using rate-setting principles, which is different than amounts determined for financial reporting purposes. Differences between the commodity revenue earned and the cost of natural gas sold are accumulated in a Gas Cost Variance Account, and are either recovered from or refunded to customers through future commodity rates.
- Higher operating earnings resulted in $30.4 million in dividends to CIC, which is $2.9 million more than budgeted.

2014 OUTLOOK

- SaskEnergy's business success results from ensuring strategic direction continues to evolve in alignment with Crown sector priorities.
- As Saskatchewan continues to see significant economic and population growth, SaskEnergy plays a vital role in providing key infrastructure for new homes, subdivisions, businesses and industrial facilities. SaskEnergy will focus on being nimble in its approach to meeting new infrastructure requirements in order to facilitate growth.
- The capital investment planned for 2014 is $299.8 million, highlighted by projects related to ensuring a safe and reliable system as well as securing adequate supply to satisfy increased demand for natural gas in the Province.
- SaskEnergy will continue to focus on productivity and efficiency initiatives in all areas of its operations with an additional $5.5 million in efficiency savings targeted for 2014. This brings the five-year realized efficiency savings to over $27.0 million.
- Consistent profitability from operations is expected, with an earnings target of $62.2 million. SaskEnergy remains committed to delivering safe and reliable services to its customers at competitive rates. As a consequence, SaskEnergy's distribution and transmission utilities are expected to maintain relatively stable earnings compared to 2013. The variability in earnings for 2014 is primarily related to SaskEnergy's gas marketing activity, a result of smaller forecasted margins and volumes.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- SaskEnergy is exposed to the risk of higher costs, delays or even project cancellations due to concerns of landowners and other interest groups. Through programs such as stakeholder engagement, aboriginal consultation, environmental assessments and public awareness, SaskEnergy works proactively with landowners and other interest groups to develop appropriate responses to concerns.
- The safety and reliability of SaskEnergy's distribution and transmission systems is of utmost importance. Some of the main processes used to mitigate the risk of pipeline, facility and operational failure include employee and operator training, environmental policies, system integrity programs, and public awareness and safety programs.
- Economic growth has challenged SaskEnergy's capacity to deliver services and infrastructure on a timely basis to meet expectations. SaskEnergy has focused on building relationships with key industry associations, project management, tendering practices, and advanced planning and preliminary design.

KEY OPERATIONAL DATA	2013	2012	2011	2010	2009
Permanent full-time equivalents	967	965	939	932	941
Total distribution customers	373,436	365,749	358,363	352,560	347,327
Residential average usage (m^3)	3,020	2,753	2,851	2,856	3,414
Distribution pipelines (km)	68,612	68,212	67,812	67,462	67,166
Transmission pipelines (km)	15,042	14,979	14,797	14,638	14,548
Compressor horsepower (HP)	94,020	92,570	91,420	88,550	87,400
Peak day gas flows (Petajoules)	1.26	1.20	1.09	1.07	1.19

SaskWater

SaskWater is investing for growth, including building the water supply system for the BHP Billiton Jansen mine and expanding to serve increasing populations in White City and Warman.

COMPARISON OF 2013 RESULTS WITH 2012 RESULTS

- Earnings for the year were $3.5 million (2012 - $3.0 million).
- Revenues of $42.3 million (2012 - $41.8 million) increased by $0.5 million. Water sales increased $3.2 million compared to 2012, due to growth of new and existing customers. Services revenue decreased $4.3 million, as potash sector project management activities decreased when the projects moved from the design phase to the construction phase. Other income increased $1.5 million primarily due to the amortization of customer contributions for water infrastructure assets that are now in service.
- Expenses of $36.3 million (2012 - $36.9 million) decreased by $0.6 million primarily due to the decrease in project management activities.
- Net finance expense of $2.5 million (2012 - $1.8 million) increased by $0.7 million. Market adjustments on sinking funds accounted for the majority of the increase.
- Debt was $63.9 million (2012 - $59.9 million), an increase of $4.0 million. This increase relates to debt to finance the construction of capital assets.
- Capital spending of $36.1 million (2012 - $26.0 million) increased by $10.1 million primarily due to major new and ongoing construction of capital projects during 2013 for potable and non-potable infrastructure. SaskWater's investment in capital spending net of customer contributions was $5.2 million in 2013.
- Total water services volumes were 40.1 million m^3 (2012 - 40.7 million m^3). The decrease was a result of lower industrial water usage.
- Debt ratio of 52.9 per cent (2012 - 53.9 per cent) decreased by 1.0 percentage point.

COMPARISON OF 2013 RESULTS WITH BUDGET

- Earnings were $0.5 million below budget. Market adjustments on sinking funds had a negative impact of $1.0 million on earnings, compared to budget.
- Revenues were $2.0 million less than the $44.3 million budget due primarily to lower revenues than expected for non-potable water sales and project management.
- Expenses were $2.0 million less than the $38.3 million budget primarily due to lower than expected project management activity.

KEY FINANCIAL DATA	2013 Actual	2013 Bus. Plan	2012 Actual	2011 Actual	2010 Actual	2009[1] Actual
Earnings	$ 3.5M	$ 4.0M	$ 3.0M	$ 3.5M	$ 0.4M	$ 0.5M
Total assets	$ 223.9M	$ 256.8M	$ 186.4M	$ 179.3M	$ 153.8M	$ 95.0M
ROE	8.0%	9.0%	7.5%	9.4%	1.3%	1.4%
Debt ratio	52.9%	57.0%	53.9%	57.6%	58.5%	58.3%

[1] Amounts for 2009 were prepared under former Canadian Generally Accepted Accounting Principles.

2014 OUTLOOK

- Revenues are projected to increase by 2.4 per cent or $1.0 million to $43.3 million as a result of continued growth from municipal potable customers as well as increased industrial water usage.
- Budgeted total expenses and net finance expense are expected to increase as costs increase and in conjunction with increased volumes.
- SaskWater expects to invest $14.2 million (net of customer contributions of $104.5 million) in water and wastewater infrastructure projects.
- SaskWater has budgeted net earnings of $3.7 million in 2014.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- SaskWater is subject to the risk of decreasing revenues due to a customer base that is small, which limits economies of scale, as well as a dependence on large volume users and the existence of legacy contracts with marginal economics. Mitigation strategies include minimum purchase requirements, efficiency programs, rates setting based on cost of service and rate increase programs that ensure revenues keep pace with cost increases. Future action plans include examining rate design and renegotiating legacy contracts.
- The supply of water for human consumption carries a risk of contamination if mitigation strategies are not in place. SaskWater's mitigation strategies include meeting or exceeding regulatory requirements, undergoing extensive testing and public reporting of water quality and utilizing remote monitoring 24 hours per day, 365 days per year.
- Mechanical failures, accidents, storms and power failures can result in service interruptions. SaskWater's mitigation strategies include increased asset refurbishment, emergency response plans and vulnerability assessments for facilities. Future action plans include a preventative maintenance program.

KEY OPERATIONAL DATA

	2013	2012	2011	2010	2009
Total customer accounts	406	402	395	373	371
Total sales volumes (cubic metres)	40.1M	40.7M	35.2M	20.7M	19.2M
Kilometres of potable and non-potable pipeline	876	862	860	850	822
Full-time equivalent employees	112	105	101	95	90

Solid investment earnings helped SGI CANADA achieve a strong overall profit, despite increased claim losses associated with unprecedented ice damming claims and severe storm losses.

COMPARISON OF 2013 RESULTS WITH 2012 RESULTS

- Earnings were $39.2 million in 2013 (2012 - $82.2 million). While significantly lower than 2012, earnings resulted in a strong return on equity of 13.5 per cent. Increased claim costs in all jurisdictions, except Ontario, contributed to an underwriting loss of $14.4 million (2012 - $55.8 million underwriting profit). However, this was more than offset by improved investment earnings.
- Premium revenues were $502.7 million (2012 - $482.8 million), with Saskatchewan and Alberta operations accounting for the majority of the premium growth.
- Claims incurred increased to $322.6 million (2012 - $246.0 million) with all jurisdictions having a higher loss ratio than 2012, except Ontario. The unfavourable results were due to a combination of an $22.8 million in ice damming claims, severe storm losses in Saskatchewan, Alberta and Ontario, and other large losses in personal lines, commercial lines and agriculture.
- Investment earnings were $58.7 million (2012 - $33.1 million), an increase of $25.6 million from 2012, consistent with the strong growth in global investment markets. Equity markets generated strong returns, particularly in the U.S. and internationally. Holding bonds combined with small increases in short-term interest rates led to capital losses and lower overall fixed income returns as compared to 2012.

COMPARISON OF 2013 RESULTS WITH BUDGET

- Earnings were $2.7 million better than budget, due primarily to strong investment returns, offset partially by higher than expected claim costs and commissions.
- Revenues of $559.4 million exceeded the budget by $36.1 million, driven by higher than budgeted investment earnings of $31.2 million combined with premium revenue of $502.7 million was $4.9 million higher than budget.
- Claims incurred of $322.6 million were $27.0 million or 9.1 per cent higher than the budget of $295.6 million. The unfavourable results were due primarily to increased claims for ice damming in Saskatchewan and storm costs in Saskatchewan, Alberta and Ontario.

KEY FINANCIAL DATA	2013 Actual	2013 Bus. Plan	2012 Actual	2011 Actual	2010 Actual	2009[1] Actual
Earnings	$ 39.2M	$ 36.5M	$ 82.2M	$ 0.4M	$ 49.3M	$ 52.4M
Dividend declared to CIC	$ 25.6M	$ 23.7M	$ 52.0M	Nil	$ 43.5M	$ 34.0M
Total assets	$ 1,120.8M	$ 1,099.3M	$ 1,073.6M	$ 981.8M	$ 905.3M	$ 827.4M
ROE	13.5%	12.6%	30.7%	0.2%	19.0%	26.5%
Minimum Capital Test[2]	231%	250%	250%	222%	247%	254%

[1] Amounts for 2009 were prepared under former Canadian Generally Accepted Accounting Principles.
[2] The Minimum Capital Test (MCT) is a capital adequacy test widely used in the insurance industry and indicates capital available to pay claims compared to capital required.

2014 OUTLOOK

- Heading into 2014, SGI CANADA is focused on three critical priorities that include evolving to a strongly customer-centric business model, maximizing Shareholder value and ensuring the staff culture supports these priorities. That will mean developing a deeper understanding of its customers and seeking opportunities to achieve scale.
- The Corporation is working to fully leverage internal and external data to better improve its rating models and enhance customer service. It is also developing an integrated distribution model to provide customers access to both self-serve and broker channels, assisting with customer attraction and retention by identifying the customer segments it wishes to target and tailoring products and services to the needs and preferences of those segments. It also aims to keep expense ratios as low as possible over the longer term by leveraging technology where possible to achieve productivity and efficiency improvements.
- SGI CANADA focuses on achieving a better spread of risk geographically. Alberta and Ontario are two key markets for meeting geographic diversification goals, and in 2014, the Corporation will focus on continuing to build on the success experienced in these markets in 2013.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- On an annual basis, management reviews the key risks faced by SGI CANADA by identifying specific risk events and their potential impact on the Corporation's operations, finances and reputation. Each risk event is rated based on the likelihood of the event occurring and severity of the consequences if it did occur, both before and after the application of potential mitigations. This process results in a risk profile for the Corporation, which is reviewed by the Risk Committee of the Board of Directors annually. SGI's audit services department also uses the risk profile in developing its annual work plan, providing an assurance component to SGI's risk management process.
- The top five risks identified relate to: increased competition, significant privacy breach, catastrophic claims losses, scale, and leadership/strategy.
- These risks represent key areas in SGI's strategic plan, and as such, the Corporation has prioritized resources towards key business processes and corporate projects which will mitigate these risks.

KEY OPERATIONAL DATA	2013	2012	2011	2010	2009
Permanent full-time employees	1,871	1,833	1,807	1,826	1,842
Net premiums written	$ 517.6M	$ 491.8M	$ 471.6M	$ 428.3M	$ 393.9M
Number of policies in force	598,845	580,043	570,957	563,922	550,821
Number of claims	101,004	99,115	102,712	92,294	85,722

SGI

The Auto Fund experienced an improvement to the Rate Stabilization Reserve, resulting from lower overall claim costs and strong investment returns.

The Saskatchewan Auto Fund (the Auto Fund) is not a subsidiary Crown corporation. Its results are included in this report because of SGI's administration of the Auto Fund. The results of the Auto Fund are not included in CIC's or SGI's consolidated financial statements.

COMPARISON OF 2013 RESULTS WITH 2012 RESULTS

- The Auto Fund experienced an increase to the Rate Stabilization Reserve (RSR) of $32.3 million in 2013, compared to an $11.5 million decrease in 2012, an improvement of $43.8 million year over year, stemming from both stronger underwriting results and investment earnings.
- Underwriting results improved $30.6 million, due primarily to lower overall claim costs resulting from a favourable change in the discount rate used to estimate the future cost of the provision for unpaid claims. Offsetting the impact of discounting is a continuing increase in injury claim severity due largely to increased income replacement benefit costs. Poor winter driving conditions in the first half of the year also resulted in an increase in damage claim costs.
- Investment earnings increased $11.9 million from 2012, consistent with the strong global investment markets experienced during the year. Equity markets generated strong returns, particularly in the U.S. and internationally. While interest income remained relatively flat, increases in mid and long-term interest rates generated significant capital losses which resulted in negative fixed income returns for the year. The Auto Fund continues to refine its asset liability matching strategy, which better positions the investment asset mix to manage interest rate risk.
- The Rate Stabilization Reserve increased to $162.8 million in 2013 (2012 - $127.1 million).

KEY FINANCIAL DATA

	2013 Actual	2013 Bus. Plan	2012 Actual	2011 Actual	2010 Actual	2009[1] Actual
Earnings	$ 32.3M	$ (16.8M)	$ (11.5M)	$ (142.9M)	$ 92.7M	$ (40.8M)
Total assets	$1,985.0M	$1,936.7M	$1,825.0M	$1,711.4M	$1,644.5M	$1,486.2M
Minimum Capital Test[2]	58%	39%	51%	60%	126%	83%
Rate Stabilization Reserve	$ 162.8M	$ 105.6M	$ 127.1M	$ 134.3M	$ 271.9M	$ 67.2M

[1] Amounts for 2009 were prepared under former Canadian Generally Accepted Accounting Principles.
[2] The Minimum Capital Test (MCT) is a capital adequacy test widely used in the insurance industry and indicates capital available to pay claims compared to capital required.

COMPARISON OF 2013 RESULTS WITH BUDGET

- The surplus of $32.3 million resulted in a favourable variance of $49.1 million, compared to a budgeted loss of $16.8 million, due primarily to higher investment income.
- While claim costs were $19.0 million or 2.5 per cent lower than budgeted, the loss ratio was essentially as budgeted at 91.6 per cent.
- Investment earnings were $86.7 million, $42.6 million higher than budget. This was due to positive returns from the Return Seeking Portfolio, consisting of equities and real estate, which returned $104.0 million compared to a budget of $28.9 million, a favourable variance of $75.1 million. This was partially offset by fixed income losses from the Matching Portfolio of $14.8 million compared to the budget of $16.9 million in fixed income earnings.

2014 OUTLOOK

- For 2014, the Auto Fund is focused on three critical priorities that include: evolving to a strongly customer-centric business model; ensuring financial sustainability; and ensuring the staff culture supports these priorities. This will mean continuing to improve service to customers, implementing recommendations from the Special Committee on Traffic Safety review and the motorcycle review, and completing a review of Saskatchewan's auto injury program. It will also mean ensuring the Auto Fund collects the premium required to cover claim costs and expenses. Due to the impacts on the Rate Stabilization Reserve associated with increasing autobody labour rates and lower premium growth than previously anticipated, as well as the impact of declining bond yields, rising income replacement costs for accident victims and higher costs for parts used in collision repair, a rate increase and surcharge may be required in 2014.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- On an annual basis, management reviews the key risks faced by the Auto Fund by identifying specific risk events and their potential impact on its operations, finances and reputation. Each risk event is rated based on the likelihood of the event occurring and severity of the consequences if it did occur, both the consequences if it did occur, both before and after the application of potential mitigations. This process results in a risk profile for the Auto Fund, which is reviewed by the Risk Committee of the Board of Directors annually. SGI's audit services department also uses the risk profile in developing its annual work plan, providing an assurance component to SGI's risk management process.
- The top five risks identified relate to: significant privacy breach, catastrophic claims losses, leadership/strategy, transfer and acquisition of expertise, and customer focus.
- These risks represent key areas in SGI's strategic plan, and as such, the Corporation has prioritized resources towards key business processes and corporate projects which will mitigate these risks.

SaskGaming

Casinos Regina and Moose Jaw became the first gaming facilities in Saskatchewan to earn the Responsible Gambling Check Accreditation certification.

COMPARISON OF 2013 RESULTS WITH 2012 RESULTS

- SGC experienced the full impact of a maturing gaming market this past year. All of the corporation's main financial indicators weakened in 2013.
- Earnings for 2013 were $20.5 million (2012 - $26.3 million), a decrease of $5.8 million or 22.1 per cent.
- Revenues were $127.0 million (2012 - $137.2 million), a decrease of $10.2 million or 7.4 per cent. The decline in revenues is mainly attributable to slot revenues partially offset by increased table games revenues. The decline was a result of lower guest visitation and net average guest spend declining in 2013.
- Expenses rose $1.3 million or 1.5 per cent to $85.9 million (2012 - $84.6 million). Operating expense growth was 3.2 per cent, which was partially offset by decreases in depreciation, taxes, as well as flat financing costs and other contractual obligations.
- SGC's Earnings Before Interest Taxes Depreciation and Amortization (EBITDA) margin of 43.3 per cent in 2013 declined from 49.2 per cent in 2012 primarily a result of lower revenues.
- Debt, including finance leases, was $20.8 million (2012 - $19.4 million), up $1.4 million. As a result, SGC's debt to EBITDA ratio increased from 29.0 per cent in 2012 to 38.0 per cent in 2013.
- Capital expenditures were $6.6 million (2012 - $5.2 million), an increase of $1.4 million. Major projects included the addition of 54 new slot machines to bring the total to 1,111 machines (880 at Casino Regina and 231 in Casino Moose Jaw), replacement of approximately 200 machines as part of its slot machine replacement program, and a new food and beverage point-of-sale system. Also at Casino Regina, major projects were the creation of the new VIP Lounge, the Show Lounge's sound system upgrades and renovations to improve customer experience.

KEY FINANCIAL DATA

	2013 Actual	2013 Bus. Plan	2012 Actual	2011 Actual	2010 Actual	2009[1] Actual
Earnings	$ 20.5M	$ 26.4M	$ 26.3M	$ 25.9M	$ 22.0M	$ 25.4M
Dividends declared to CIC	$ 16.4M	$ 21.1M	$ 21.0M	$ 20.7M	$ 19.4M	$ 20.3M
Total assets	$ 78.9M	$ 78.0M	$ 78.7M	$ 83.0M	$ 83.0M	$ 78.4M
Debt to EBITDA ratio	38.0%	26.0%	29.0%	31.0%	39.0%	44.0%

[1] Amounts for 2009 were prepared under former Canadian Generally Accepted Accounting Principles.

COMPARISON OF 2013 RESULTS WITH BUDGET

- Earnings were $5.9 million lower than the budget of $26.4 million.
- Revenues of $127.0 million are lower than the budget of $141.5 million, primarily due to a decrease of $15.2 million in slot revenues combined with a decrease of $1.0 million in other revenues. This was slightly offset by increased table game revenues of $1.7 million.
- Expenses were $2.8 million below the budget of $88.7 million. Operating expense reductions occurred in advertising and promotions ($0.6 million), lease and rental ($0.6 million) and entertainment ($0.4 million). These reductions were partially offset by an increase in salaries and benefits ($0.8 million) as a result of the organizational restructuring that occurred in October 2013.

2014 OUTLOOK

- SGC expects to continue to operate in a mature casino gaming market, which are characterized by continued market erosion from grey market internet based gaming. These factors will continue to make it more challenging to generate revenue growth.
- SGC will focus on four key strategies to restore revenue and earnings growth. These strategies are identifying what guests truly want and delivering seamless service; complete work on the October 2013 organizational restructuring to support improved guest service; continue to modernize product offerings by introducing more electronics table games and replacing less popular slot machines; and fully implement the revised Players Club loyalty rewards program.
- SGC budgeted earnings for 2014 are $25.2 million.
- Revenues are budgeted at $134.4 million, expenses are budgeted at $84.0 million and payments to the GRF are budgeted at $25.2 million.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- SGC faces a challenge of keeping pace with the continuous modernization of the gaming industry and market maturity in existing gaming puts continued downward pressure on SGC's income.
- SGC has put in place a full compliance regime to effectively meet its regulatory requirements and proactively adjust to changing regulations. Failure to comply with existing regulations could have significant financial and reputational consequences.
- SGC performs regular audits to ensure processes meet requirements to mitigate the risk of unauthorized use of proprietary or confidential information.

KEY OPERATIONAL DATA	2013	2012	2011	2010	2009
Guest count (thousands)	3,603	3,625	3,542	3,429	3,290
Full-time equivalents	690	729	749	707	795

STC
The Bus Company

STC improved upon its already high level of customer satisfaction with 94 per cent of passengers and 88 per cent of freight customers rating its service as good or excellent.

COMPARISON OF 2013 RESULTS WITH 2012 RESULTS

- STC's ridership decreased 2.1 per cent from 2012 primarily due to one less Senior Seat Sale month in 2013. STC trialed a number of other sales in the fourth quarter of 2013.
- Operating loss before grant funding was $13.3 million (2012 - $12.8 million) an increase of $0.5 million due to lower express volumes and an increase in salary and wage and fuel costs over 2012.
- CIC provided grants of $14.0 million (2012 - $11.5 million) to cover the operating cash shortfall and capital expenditures.
- Operating revenues were $16.4 million (2012 - $15.9 million). The increase is due to rate increases and a gain on the disposal of capital assets during the year.
- Operating expenses of $29.8 million (2012 - $28.8 million) increased primarily due to higher salary and wage and fuel costs.
- Capital spending was $3.3 million (2012 - $3.0 million). The increase is due to additional used coach purchases and refurbishments in 2013.

COMPARISON OF 2013 RESULTS WITH BUDGET

- Operating loss of $13.3 million, before grant funding, was $0.3 million higher than budgeted primarily due to lower than expected express revenues and the cost of running two routes scheduled for discontinuance in May due to the Highway Traffic Board decision to extend the routes to the end of 2013.
- Revenues were $0.3 million lower than the $16.7 million budget due to a decrease in express services caused by lower volumes on larger freight contracts.
- Expenses were on budget at $29.8 million as higher costs of fuel and wages were offset by lower depreciation charges due to timing of asset purchases.
- STC received $0.5 million additional operating grant in 2013 to offset the cost of running the routes planned for May discontinuance and the funding shortfall in 2012 caused by the revenue effects of Greyhound's service reductions.

KEY FINANCIAL DATA	2013 Actual	2013 Bus. Plan	2012 Actual	2011 Actual	2010 Actual	2009[1] Actual
Loss	$ (0.1M)	$ (0.2M)	$ (1.0M)	$ (0.3M)	Nil	$ (0.8M)
Operating loss	$ (13.3M)	$ (13.0M)	$ (12.8M)	$ (11.4M)	$ (10.9M)	$ (10.6M)
Operating grant from CIC	$ 10.5M	$ 10.0M	$ 9.2M	$ 8.7M	$ 8.4M	$ 7.8M
Capital grant from CIC	$ 3.5M	$ 3.5M	$ 2.3M	$ 2.0M	$ 0.9M	$ 1.8M
Passenger loss per mile	$ 2.73	$ 2.67	$ 2.63	$ 2.44	$ 2.29	$ 2.22

[1] Amounts for 2009 were prepared under former Canadian Generally Accepted Accounting Principles.

2014 OUTLOOK

- STC's focus is maintaining a high level of customer satisfaction while increasing general awareness of its passenger and express services in order to grow revenue in a cost effective manner. STC expects capital spending of $5.8 million in 2014 with the majority of capital funds being used for fleet replacement to continue to address the effects of the aging fleet on operating costs and customer satisfaction.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- Consistent with other employers in Saskatchewan, STC is facing difficulties recruiting and retaining employees in certain key job classifications. STC's ability to provide high quality service to the public is directly attributable to a well-trained, satisfied workforce. STC surveys its workforce annually to ensure staff are satisfied and engaged. Partnerships and participation in job fairs are used to promote STC as an employer of choice. Specific proposals within the new collective agreement are designed to address recruitment and retention issues in specific classifications. A specific strategy was developed to address driver recruitment.
- The condition of STC's fleet is a critical factor in being able to provide high quality, safe and reliable service. An aging fleet leads to increased maintenance costs and detrimentally affects service reliability. STC maintains its fleet with regularly scheduled service intervals to ensure repairs are conducted in a timely manner and extend the useful life of the fleet. STC continues to increase the capital allocation directed to fleet replacement through purchases of low mileage used coaches and refurbishment of existing fleet.

KEY OPERATIONAL DATA	2013	2012	2011	2010	2009
Communities served	**284**	287	290	290	290
Miles travelled	**3.1M**	3.1M	3.2M	3.2M	3.1M
Ridership	**276,113**	282,119	288,164	268,335	258,534

SOCO

SOCO was awarded top employer status by the Best Small and Medium Employer survey undertaken by Queens University and Hewitt and Associates with employee engagement levels of 85 per cent.

COMPARISON OF 2013 RESULTS WITH 2012 RESULTS

- During 2013, SOCO received recognition for its commitment to constructing and operating efficient and sustainable buildings. The Canadian Green Building Council bestowed a LEED Gold certification on 2 Research Drive in Regina, one of only five buildings in Saskatchewan to receive this designation.
- Earnings of $2.4 million in 2013 (2012 - $4.3 million) decreased $1.9 million from 2012. This decrease is the result of significantly increased losses at the Bio Processing Centre and increased administration expenses.
- Revenue of $41.5 million (2012 - $40.8 million) is up $0.7 million from 2012. Revenue from rental operations increased $1.3 million due to increased rental rates and increases in related service revenue. The decrease in activity at the Bio Processing Centre resulted in decreased revenue of $0.6 million.
- Expenses of $37.3 million (2012 - $35.0 million) increased $2.3 million from 2012. Expenses related to rental operations increased $1.7 million due to general cost increases, increased amortization and maintenance activities, and higher snow removal costs. Due to the fixed nature of Bio Processing expenses they did not decrease in 2013 despite the reduction in revenue. Total administration expenses increased $0.6 million.
- Investment in capital assets in 2013 was $5.5 million (2012 - $8.9 million) decreasing $3.4 million from 2012.
- Total debt outstanding at year end was $36.7 million, unchanged from the prior year.

KEY FINANCIAL DATA	2013 Actual	2013 Bus. Plan	2012 Actual	2011 Actual	2010 Actual	2009[1] Actual
Earnings	$ 2.4M	$ 4.3M	$ 4.3M	$ 4.6M	$ 6.1M	$ 4.1M
Dividends declared to CIC	$ 1.7M	$ 2.8M	$ 2.8M	Nil	$ 9.0M	Nil
Total assets	$ 193.7M	$ 192.7M	$ 193.0M	$ 191.0M	$ 67.5M	$ 66.3M
Capital spending	$ 5.5M	$ 8.8M	$ 8.9M	$ 8.2M	$ 3.5M	$ 6.2M
Debt ratio	15.0%	18.1%	16.4%	17.2%	58.3%	53.5%

[1] Amounts for 2009 were prepared under former Canadian Generally Accepted Accounting Principles.

COMPARISON OF 2013 RESULTS WITH BUDGET

- Earnings of $2.4 million were $1.9 million lower than budget.
- Revenues of $41.5 million were $0.7 million lower than budget mainly due to decreased activity at the Bio Processing Centre, partially offset by increased rental operations as a result of increased rental rates and timing differences in the projected timing of tenants vacating.
- Operating expenses of $37.3 million were $1.1 million unfavourable to budget primarily due to increased rental operations due to general cost increases, higher amortization and maintenance activities, higher snow removal costs and increased costs at the Bio Processing Centre related to restructuring.

2014 OUTLOOK

- Expected earnings for 2014 are $2.8 million, reflecting an increase of $0.4 million when compared to 2013 actual results.
- Investment in capital assets is budgeted at $8.4 million for 2014.
- Total outstanding debt is not expected to change in 2014.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- The risk of the loss of a significant tenant could negatively impact the financial results and an industry cluster. SOCO works closely with key tenants to understand their growth needs and develop plans that will make space available to satisfy their needs.

KEY OPERATIONAL DATA	2013	2012	2011	2010	2009
Vacancy rates	**4.4%**	2.4%	2.8%	4.0%	5.2%
Full-time equivalent employees	**115**	117	123	120	124
Total employment at the technology parks	**5,113**	5,471	5,158	5,047	4,786

Since the Saskatchewan Immigrant Investor Fund (SIIF) was established in October 2010, over $224 million has been committed to construct 1,331 HeadStart homes in Saskatchewan communities.

COMPARISON OF 2013 RESULTS WITH 2012 RESULTS

- The HeadStart on a Home program, operated by SIIF, continued to see a significant amount of construction activity in 2013, and this is reflected in the increase in loans advanced and repaid during the year.
- Earnings in 2013 of $1.2 million (2012 - loss of $0.2 million) were up $1.4 million from 2012 due mainly to increased net finance income.
- Management fees increased by $0.1 million to $0.9 million (2012 - $0.8 million). Management fees are based on a percentage of outstanding loans receivable.
- Net finance income increased by $1.5 million to $2.1 million (2012 - $0.6 million) mainly due to increased interest income from a higher cash and cash equivalents balance and increased loans outstanding during 2013.
- SIIF had $123.5 million (2012 - $62.0 million) in cash and cash equivalents restricted for use for the Saskatchewan HeadStart on a Home program.
- SIIF had $43.8 million (2012 - $34.3 million) in loans receivable reflecting the continued growth of the HeadStart program among builders and developers in 2013.
- SIIF had $165.0 million (2012 - $94.9 million) in debt (including accrued interest) due to the Government of Canada pursuant to the Immigrant Investor Program (IIP).
- During 2013, SIIF received an additional $69.7 million (2012 - $40.9 million) from the Government of Canada under the IIP, issued $74.9 million (2012 - $41.4 million) in new loans to builders and developers and received $65.4 million (2012 - $7.1 million) in loan principal repayments.

COMPARISON OF 2013 RESULTS WITH BUDGET

- Earnings of $1.2 million were $0.7 million less than the budgeted earnings of $1.9 million mainly due to the impact of lower than budgeted premiums on debt due to the Government of Canada.
- Loans receivable were $43.8 million or $19.7 million lower than the budget of $63.5 million due to lower than expected loan advances in conjunction with quicker repayments from developers due to strong pre-sales of units.
- Debt due to the Government of Canada was $165.0 million or $6.9 million higher than the budget of $158.1 million due mainly to allocations from the Government of Canada being $6.2 million higher than budget and premiums recognized being $0.7 million less than budget.

KEY FINANCIAL DATA	2013 Actual	2013 Bus. Plan	2012 Actual	2011 Actual	2010[1] Actual	2009[1] Actual
Earnings (loss)	$ 1.2M	$ 1.9M	$ (0.2M)	$ 1.2M	$ 0.4M	N/A
Loans receivable	$ 43.8M	$ 63.5M	$ 34.3M	Nil	N/A	N/A
Efficiency ratio[2]	135.6%	145.2%	119.4%	99.0%	N/A	N/A
Dollars repaid by developers	$ 65.4M	$ 50.9M	$ 7.1M	Nil	N/A	N/A

[1] SIIF was established on October 6, 2010, and therefore key financial data is not available for all years presented.
[2] Efficiency ratio is defined as approved project amounts divided by funds available for investment since inception of the HeadStart on a Home program.

2014 OUTLOOK

- On February 11, 2014, the Government of Canada has announced that it no longer will be taking funds into the IIP. SIIF will complete its mandate five years after the last Government of Canada IIP allocation. At this point it is unknown when the last allocation will be received from the Government of Canada.
- SIIF continues to anticipate a significant amount of pre-sold units from purchasers utilizing SIIF's Credit Union partners for their residential mortgages and the HeadStart Equity Builder Program™.
- SIIF plans to continue to engage builders to create awareness of entry-level building opportunities in Saskatchewan, and expects to see increased interest for HeadStart projects in a wider range of communities in 2014.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- Concentration of credit risk relates to groups of counterparties that are engaged in similar activities, are located in the same geographic area or have comparable economic characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. SIIF has material concentrations of credit risk on its loan receivables which are due from builders and developers located in Saskatchewan, and therefore could be similarly impacted by changes in the Saskatchewan economy. However; the loans are diversified with companies and in communities throughout Saskatchewan, and therefore may not be identically impacted by changes in the overall Saskatchewan economy. SIIF performs due diligence and maintains credit policies and limits in respect to potential loans. Credit risk is also mitigated through SIIF holding a security interest in the units constructed and the land upon which the units are constructed which are located in various communities throughout Saskatchewan.
- On February 11, 2014, as part of the federal budget, the Government of Canada announced its decision to end the IIP. Although the impact and timing of the federal proposal cannot yet be determined, SIIF will cease operations five years after the final IIP allocation is received.

KEY OPERATIONAL DATA

	2013	2012	2011	2010[1]	2009[1]
Housing starts	566	416	Nil	N/A	N/A
Units sold to home buyers	449	252	Nil	N/A	N/A
Municipalities engaged	23	36	19	N/A	N/A

[1] SIIF was established on October 6, 2010, and therefore key operational data is not available for all years presented.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared by management of Crown Investments Corporation of Saskatchewan. They have been prepared in accordance with International Financial Reporting Standards, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the consolidated financial statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors is responsible for reviewing the annual financial statements and meeting with management, the Corporation's external auditors KPMG LLP, and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. Management's attestation on the adequacy of financial controls appears on the next page. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that financial controls are adequately functioning.

KPMG LLP has audited the consolidated financial statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the consolidated financial statements, appears on page 80.

R.W. (Dick) Carter, FCA President & CEO	Blair Swystun, CFA Senior Vice-President & CFO

March 20, 2014

ANNUAL STATEMENT OF MANAGEMENT RESPONSIBILITY

I, R.W. (Dick) Carter, the President and Chief Executive Officer of Crown Investments Corporation of Saskatchewan, and I, Blair Swystun, the Senior Vice-President and Chief Financial Officer of Crown Investments Corporation of Saskatchewan, certify the following:

That we have reviewed the consolidated financial statements included in the Annual Report of Crown Investments Corporation of Saskatchewan. Based on our knowledge, having exercised reasonable diligence, the consolidated financial statements included in the Annual Report, fairly present, in all material respects the financial condition, results of operations, and cash flows, as of December 31, 2013.

That based on our knowledge, having exercised reasonable diligence, the consolidated financial statements included in the Annual Report of Crown Investments Corporation of Saskatchewan do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

That Crown Investments Corporation of Saskatchewan is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and Crown Investments Corporation of Saskatchewan has designed internal controls over financial reporting that are appropriate to the circumstances of Crown Investments Corporation of Saskatchewan.

That Crown Investments Corporation of Saskatchewan conducted its assessment of the effectiveness of the Corporation's internal controls over financial reporting and, based on the results of this assessment, Crown Investments Corporation of Saskatchewan can provide reasonable assurance that internal controls over financial reporting as of December 31, 2013 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

On behalf of management:

R.W. (Dick) Carter, FCA	Blair Swystun, CFA
President & CEO	Senior Vice-President & CFO

March 20, 2014

AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying consolidated financial statements of **Crown Investments Corporation of Saskatchewan**, which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Crown Investments Corporation of Saskatchewan as at December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
March 20, 2014
Regina, Saskatchewan

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

(thousands of dollars)

	Note	December 31 2013	December 31 2012 (Restated Note 3)	January 1 2012 (Restated Note 3)
ASSETS				
Current				
Cash and cash equivalents	6	$ 412,583	$ 328,027	$ 371,781
Short-term investments	7	229,918	448,188	409,264
Accounts receivable	8(d)	728,364	664,010	602,070
Restricted cash and cash equivalents	9	124,014	70,940	62,617
Derivative financial assets	8	36,361	56,428	84,092
Inventories	10	412,430	411,662	378,368
Prepaid expenses		162,412	168,053	164,491
Assets held-for-sale	11	4,554	-	-
		2,110,636	2,147,308	2,072,683
Restricted cash and cash equivalents	9	4,823	4,872	4,900
Investments	7	1,274,792	1,230,124	1,078,190
Investments in equity accounted investees	12	143,864	85,914	99,970
Property, plant and equipment	13	11,043,249	9,112,247	8,239,329
Investment property	14	173,128	175,694	174,789
Intangible assets	15	383,821	328,531	270,929
Other assets	16	18,350	23,609	21,624
		$ 15,152,663	$ 13,108,299	$ 11,962,414
LIABILITIES AND PROVINCE'S EQUITY				
Current				
Bank indebtedness		$ 14,462	$ 5,724	$ 11,347
Trade and other payables		838,231	716,784	683,639
Derivative financial liabilities	8	102,157	96,767	150,813
Notes payable	17	1,461,802	1,149,319	696,464
Deferred revenue	18	477,151	437,133	408,704
Provisions	19	194,288	150,645	159,588
Current portion of finance lease obligations	20	7,341	5,680	4,198
Long-term debt due within one year	21	61,994	157,701	56,276
Liabilities held-for-sale	11	57	-	-
		3,157,483	2,719,753	2,171,029
Provisions	19	521,596	464,683	444,498
Finance lease obligations	20	1,137,138	436,690	440,139
Long-term debt	21	5,100,250	4,402,718	4,019,384
Employee future benefits	22	281,726	641,238	590,385
Other liabilities	23	120,543	103,077	77,998
		10,318,736	8,768,159	7,743,433
Province of Saskatchewan's Equity				
Equity advances		908,889	1,051,839	1,051,839
Contributed surplus		125	125	125
Retained earnings		3,820,862	3,616,056	3,457,524
Accumulated other comprehensive income (loss)	25	104,051	(327,880)	(290,507)
		4,833,927	4,340,140	4,218,981
		$ 15,152,663	$ 13,108,299	$ 11,962,414

Commitments and contingencies 26

(See accompanying notes)

On behalf of the Board:

Donna Harpauer
Director

D. McM
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended December 31

(thousands of dollars)

	Note	2013	2012
INCOME FROM OPERATIONS			
Revenue		$ 4,788,019	$ 4,458,733
Other income		14,853	9,912
		4,802,872	4,468,645
EXPENSES			
Operating		2,453,001	2,184,227
Salaries, wages and short-term employee benefits		830,394	792,324
Employee future benefits	22	61,772	59,747
Depreciation and amortization	27	643,046	594,047
Loss on disposal of property, plant and equipment		24,780	23,711
Impairment losses	28	10,104	15,262
Research and development		754	759
Provision for decommissioning and environmental remediation liabilities	19	12,122	2,977
Saskatchewan taxes and fees	29	137,657	132,137
		4,173,630	3,805,191
RESULTS FROM OPERATING ACTIVITIES		629,242	663,454
Finance income	30	158,508	152,402
Finance expenses	30	(480,890)	(403,603)
NET FINANCE EXPENSES		(322,382)	(251,201)
EARNINGS FROM OPERATIONS		306,860	412,253
Share of net earnings from equity accounted investees	12	28,376	12,517
EARNINGS FROM CONTINUING OPERATIONS		335,236	424,770
Gain from discontinued operations	11	221,538	21,240
Net gain (loss) on sale of equity accounted investees	12	9,411	(7,428)
NET EARNINGS		566,185	438,582
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified subsequently to net earnings:			
Share of changes in comprehensive income recognized by associates		3	285
Unrealized gains (losses) on cash flow hedges	30	3,750	(3,904)
Realized gains (losses) on cash flow hedges	30	49,480	(2,228)
Amounts amortized to net earnings and included in finance income	30	(504)	-
Foreign currency translation adjustments	30	477	194
Items that will not be reclassified to net earnings:			
Impact of changes in actuarial assumptions on defined benefit pension plans	30	218,690	(136,506)
Impact of changes in actuarial assumptions on other defined benefit plans	30	1,837	(998)
Return on pension plan assets (excluding interest income)	30	158,198	105,784
OTHER COMPREHENSIVE INCOME (LOSS)		431,931	(37,373)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN		$ 998,116	$ 401,209

(See accompanying notes)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended December 31

(thousands of dollars)

	Attributable to the Province of Saskatchewan				
	Equity Advances	Contributed Surplus	Retained Earnings (Restated Note 3)	Accumulated Other Comprehensive Income (Loss) (Notes 3 and 25)	Total Equity (Restated Note 3)
Balance at January 1, 2012	$ 1,051,839	$ 125	$ 3,457,524	$ (290,507)	$ 4,218,981
Total comprehensive income (loss)	-	-	438,582	(37,373)	401,209
Dividends to General Revenue Fund (GRF)	-	-	(280,050)	-	(280,050)
Balance at December 31, 2012	1,051,839	125	3,616,056	(327,880)	4,340,140
Total comprehensive income	**-**	**-**	**566,185**	**431,931**	**998,116**
Equity advances repaid to GRF	**(142,950)**	**-**	**-**	**-**	**(142,950)**
Dividends to GRF	**-**	**-**	**(361,379)**	**-**	**(361,379)**
Balance at December 31, 2013	**$ 908,889**	**$ 125**	**$ 3,820,862**	**$ 104,051**	**$ 4,833,927**

(See accompanying notes)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31

(thousands of dollars)

	Note	2013	2012
OPERATING ACTIVITIES			
Net earnings		$ 566,185	$ 438,582
Adjustments to reconcile net earnings to cash from operating activities	31	777,660	815,399
		1,343,845	1,253,981
Net change in non-cash working capital balances related to operations		194,822	(24,669)
Interest paid		(400,550)	(314,841)
Defined benefit pension plan contributions	22	(40)	(253)
Cash provided by operating activities from continuing operations		1,138,077	914,218
Cash (used in) provided by operating activities from discontinued operations		(21,138)	21,026
Net cash from operating activities		1,116,939	935,244
INVESTING ACTIVITIES			
Interest received		33,275	31,391
Dividends received		2,437	6,518
Purchase of investments		(1,323,787)	(773,998)
Proceeds from sale and collection of investments		1,551,096	640,730
Proceeds from the sale of Information Services Corporation shares	11	156,199	-
Purchase of property, plant and equipment		(1,741,579)	(1,390,323)
Costs related to sale of property, plant and equipment		(2,750)	(6,302)
Purchase of intangible assets		(126,854)	(105,678)
Purchase of investment property		(4,949)	(8,277)
Increase in restricted cash and cash equivalents		(53,000)	(7,204)
Increase in government grants		9,659	11,230
Net cash used in investing activities		(1,500,253)	(1,601,913)
FINANCING ACTIVITIES			
Increase in notes payable		322,418	452,855
Increase in other liabilities		52,178	6,974
Debt proceeds from GRF		690,068	502,334
Debt repayments to GRF		(152,148)	(50,000)
Debt proceeds from other lenders		69,704	40,907
Debt repayments to other lenders		(10,501)	(8,586)
Sinking fund instalments		(45,069)	(42,102)
Sinking fund redemptions		36,811	6,206
Equity advances repaid to GRF		(142,950)	-
Dividend paid to GRF		(361,379)	(280,050)
Net cash from financing activities		459,132	628,538
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR		75,818	(38,131)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		322,303	360,434
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 398,121	$ 322,303
Cash and cash equivalents consists of:			
Cash and cash equivalents from continuing operations		$ 412,583	$ 306,989
Bank indebtedness from continuing operations		(14,462)	(5,724)
		398,121	301,265
Cash and cash equivalents from discontinued operations		-	21,038
		$ 398,121	$ 322,303

(See accompanying notes)

1. GENERAL INFORMATION

Crown Investments Corporation of Saskatchewan (CIC) is a corporation domiciled and incorporated in Canada. The address of CIC's registered office and principal place of business is 400 - 2400 College Avenue, Regina, SK, S4P 1C8. The consolidated financial statements of CIC comprise CIC and its subsidiaries (collectively referred to as "CIC" or "the Corporation") and the Corporation's interest in associates, joint ventures and joint operations with principal activities as described in Note 4(a).

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements were authorized for issue by the Board of Directors on March 20, 2014.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Inventory at net realizable value (Note 4(c)).
- Financial assets and liabilities at fair value through profit or loss are measured at fair value (Note 8).
- Certain prepaid expenses for property and casualty insurance are discounted at expected future cash flows (Note 4(l)).
- Provisions discounted at expected future cash flows (Note 19).
- Employee future benefits are recognized at the fair value of plan assets less the present value of the accrued benefit obligation (Note 22).

c) Functional and presentation currency

The consolidated financial statements are presented in Canadian Dollars, which is the Corporation's functional currency.

d) Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Significant items subject to estimates and assumptions include the carrying amounts of property, plant and equipment and underlying estimations of useful lives of depreciable assets, provisions, accounts receivable, inventory, investments, intangible assets and investment property, fair value of financial instruments, and the carrying amounts of employee future benefits including underlying actuarial assumptions. These significant areas are further described in Notes 7, 8, 10, 12, 13, 14, 15, 19, 22, 26 and 27.

e) Use of judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements that affect the application of accounting policies.

Significant items subject to judgement include the accounting policies listed in Note 4.

3. APPLICATION OF REVISED ACCOUNTING STANDARDS

a) IFRS 11, *Joint Arrangements*

Effective January 1, 2013, the Corporation adopted IFRS 11, *Joint Arrangements*, which replaced International Accounting Standard (IAS) 31, *Interests in Joint Ventures*. This new standard was applied retrospectively in accordance with the transitional provisions.

IFRS 11 requires a party to a joint arrangement to determine the type of arrangement, either a joint operation or a joint venture, by assessing its rights and obligations arising from the arrangement. The option of recognizing a proportionate share of assets, liabilities, revenue and expenses for joint ventures has been eliminated under IFRS 11.

Under IAS 31, the Corporation classified its investments in the Cory Cogeneration Station (Cory) and Foragen Technologies Limited Partnership (Foragen) as jointly controlled entities and accounted for these investments using the equity method.

The Corporation has determined that upon adoption of IFRS 11, its investment in Cory meets the definition of a joint operation and will recognize its proportionate share of assets, liabilities, revenues and expenses in the consolidated financial statements.

The Corporation has determined that upon adoption of IFRS 11, the investment in Foragen meets the definition of a joint venture and will continue to be accounted for using the equity method.

Under IAS 31, the Corporation classified its investments in the Kisbey Gas Gathering and Processing Facility, and the Totnes Natural Gas Storage Facility as jointly controlled assets and included its proportionate share of the related assets, liabilities, revenues and expenses in the consolidated financial statements. Under IFRS 11, these investments meet the definition of joint operations and the Corporation will continue to recognize its proportionate share of assets, liabilities, revenues and expenses in the consolidated financial statements.

The impact upon adoption of the new standard is as follows (thousands of dollars):

Consolidated Statement of Financial Position

		January 1 2012		December 31 2012
Increase in cash and cash equivalents	$	-	$	1,388
Increase in prepaid expenses		118		142
Decrease in investments in equity accounted investees		(40,762)		(43,403)
Decrease in total assets	$	(40,644)	$	(41,873)
Decrease in bank indebtedness	$	(1,844)	$	(61)
Decrease in trade and other payables		(859)		(936)
Increase in deferred revenue		5,083		4,734
Increase in current portion of finance lease obligations		566		5
Increase in long-term debt due within one year		3,830		4,168
Increase in provisions - long-term		4,321		4,536
Decrease in finance lease obligations - long-term		(118,267)		(116,793)
Increase in long-term debt		66,526		62,474
Decrease in total liabilities	$	(40,644)	$	(41,873)

3. APPLICATION OF REVISED ACCOUNTING STANDARDS *(continued)*

a) IFRS 11, *Joint Arrangements* *(continued)*

Consolidated Statement of Comprehensive Income

		December 31 2012
Increase in operating expenses	$	1,242
Increase in finance income		(17)
Decrease in finance expenses		(8,116)
Decrease in share of net earnings from equity accounted investees		6,891
Change in total comprehensive income	$	-

b) IAS 19, *Employee Benefits*

Effective January 1, 2013, the Corporation adopted the amendments to IAS 19, *Employee Benefits*. The amendments were applied retrospectively, in accordance with the transitional provisions. The amendments require re-measurements to be recognized immediately in other comprehensive income and all current service costs and interest income (expense) to be recognized immediately in net earnings. Interest income (expense) is calculated by applying the discount rate to the net accrued benefit obligation or asset. In addition, under the revised standards, the cumulative amount of actuarial gains and losses recorded in other comprehensive income related to the Corporation's defined benefit plans will no longer be transferred to retained earnings and will remain in accumulated other comprehensive income (loss). Applicable new disclosures have been included in Note 22. The impact upon the adoption of the new standard is as follows (thousands of dollars):

Consolidated Statement of Financial Position

		January 1 2012		December 31 2012
Increase in employee future benefits	$	2,061	$	1,470
Increase in retained earnings		287,742		320,052
Decrease in accumulated other comprehensive loss		(289,803)		(321,522)
Change in total liabilities and Province's equity	$	-	$	-

Consolidated Statement of Comprehensive Income

		December 31 2012
Increase in operating expenses	$	1
Decrease in salaries, wages and short-term employee benefits		(220)
Increase in employee future benefits		1[illegible]438
Increase in net finance expenses		26,101
Decrease in net earnings		(40,320)
Increase in foreign currency transaction adjustments		1
Increase in defined benefit plan actuarial gains		40,910
		40,911
Increase in total comprehensive income	$	591

3. APPLICATION OF REVISED ACCOUNTING STANDARDS *(continued)*

c) Other new and amended accounting standards

The following new and amended accounting standards, effective for annual periods on or after January 1, 2013, have been applied in preparing these financial statements in accordance with the related transitional provisions:

IFRS 10, *Consolidated Financial Statements* and IAS 27, *Separate Financial Statements*

IFRS 10 and IAS 27 were issued by the IASB on May 12, 2011, and together replaced IAS 27, *Consolidated and Separate Financial Statements.*

IFRS 10 includes requirements related to consolidated financial statements. It builds on existing principles by establishing a single control model to assess whether an investee should be consolidated. The model focuses on exposure or rights to variability in returns versus the previous concept of benefits.

IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the entity prepares separate financial statements.

The standards were applied retrospectively, effective January 1, 2013, with no material impact on the consolidated financial statements.

IFRS 12, *Disclosure of Interests in Other Entities*

IFRS 12 was issued by the IASB on May 12, 2011. IFRS 12 is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and unconsolidated structured entities.

The standards were applied prospectively, effective January 1, 2013, with no material impact on the consolidated financial statements.

IFRS 13, *Fair Value Measurement*

IFRS 13 was issued by the IASB on May 12, 2011. IFRS 13 defines fair value, sets out a framework for measuring fair value, and introduces consistent requirements for disclosures on fair value measurements.

The standards were applied prospectively, effective January 1, 2013, with any new requirements included in Note 8 to the consolidated financial statements.

Amendments to IAS 1, *Presentation of Financial Statements*

An amended version of IAS 1 was issued by the IASB on June 16, 2011. The amendments introduce changes to the presentation of items in other comprehensive income.

The amendments were applied retrospectively effective January 1, 2013. The presentation format of the Consolidated Statement of Comprehensive Income has been changed to comply with the new requirements.

IAS 28, *Investments in Associates and Joint Ventures*

An amended version of IAS 28 was issued by the IASB on May 12, 2011, to incorporate accounting for joint ventures, because the equity method is now applicable to both joint ventures and associates. IAS 28 continues to prescribe the accounting for investments in associates, but is now the only source of guidance describing the application of the equity method. The amended IAS 28 will be applied by all entities that have an ownership interest with joint control of, or significant influence over, an investee.

The amendments were applied prospectively, effective January 1, 2013, with no material impact on the consolidated financial statements.

3. APPLICATION OF REVISED ACCOUNTING STANDARDS ***(continued)***

c) Other new and amended accounting standards ***(continued)***

Amendments to IFRS 7, *Disclosures*

On December 16, 2011, the IASB issued amendments to IFRS 7 as part of its offsetting project. The amendments clarify certain items regarding offsetting financial assets and financial liabilities and also address common disclosure requirements.

The amendments were applied retrospectively, effective January 1, 2013, with any new requirements included in Note 8 to the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements. The accounting policies have been consistently applied by CIC's subsidiaries.

a) Basis of consolidation

Subsidiaries

Saskatchewan provincial Crown corporations are either designated as subsidiary Crown corporations of CIC or created as CIC Crown corporations under *The Crown Corporations Act, 1993* (the Act). The Act assigns specific financial and other responsibilities regarding these corporations to CIC.

In addition to the Crown corporations listed below, the Corporation also consolidates the accounts of Gradworks Inc., a wholly-owned non-profit subsidiary, and the following wholly-owned share capital subsidiaries: CIC Asset Management Inc.; First Nations and Métis Fund Inc.; CIC Economic Holdco Ltd.; and Saskatchewan Immigrant Investor Fund Inc. (SIIF), all of which are domiciled in Canada.

As described in Note 11, Information Services Corporation (ISC) ceased being a Crown corporation under *The Crown Corporations Act, 1993*, and was continued under *The Business Corporations Act (Saskatchewan)*, as a wholly-owned share capital subsidiary effective May 30, 2013. Until July 9, 2013, the Corporation controlled ISC through ownership of 100.0 per cent of the outstanding voting shares and ISC operations were consolidated to that date. Effective July 9, 2013, the Corporation ceased to control ISC and the equity method has been applied from that date (Note 12).

Separate audited financial statements for CIC have been prepared to show the financial position and results of operations of the corporate entity. In addition, audited financial statements for each of the undernoted Crown corporations, which are consolidated in these financial statements, are prepared and released publicly:

Wholly-owned subsidiaries domiciled in Canada	**Principal Activity**
SaskEnergy Incorporated (SaskEnergy)	Natural gas storage and delivery
Saskatchewan Development Fund Corporation (SDFC)[1]	
Saskatchewan Gaming Corporation (SGC)	Entertainment
Saskatchewan Government Insurance (SGI)	Property and casualty insurance
Saskatchewan Opportunities Corporation (SOCO)	Research parks
Saskatchewan Power Corporation (SaskPower)	Electricity
Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	Telecommunications
Saskatchewan Transportation Company (STC)	Passenger and freight transportation
Saskatchewan Water Corporation (SaskWater)	Water and waste water management

[1] SDFC was dissolved effective September 30, 2013.

4. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

a) **Basis of consolidation** *(continued)*

Associates and joint ventures (investments in equity accounted investees)

Associates are those entities in which the Corporation has significant influence, but not control over strategic financial and operating decisions. Significant influence is presumed to exist when the Corporation holds between 20.0 and 50.0 per cent of the voting power of another entity.

Joint ventures are those entities over whose activities the Corporation has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions; and provide the Corporation with rights to the net assets of the arrangement.

Associates and joint ventures are accounted for using the equity method and are recognized initially at cost. The Corporation's investment includes any goodwill identified at acquisition, net of accumulated impairment losses. The consolidated financial statements include the Corporation's share of the total comprehensive income and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Corporation, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Corporation's share of losses exceeds its interest in equity accounted investees, the carrying amount of that interest is reduced to Nil and the recognition of further losses is discontinued except to the extent that the Corporation has an obligation or has made payments on behalf of the investee.

Joint operations

Joint operations are those entities over whose activities the Corporation has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions; and provide the Corporation with rights to the assets, and obligations for the liabilities, related to the arrangement. The consolidated financial statements include the Corporation's proportionate share of joint operation assets, incurred liabilities, income and expenses. The Corporation has classified the following as joint operations:

i) **Kisbey Gas Gathering and Processing Facility (Kisbey)**
The Corporation has a 50.0 per cent interest in Kisbey, which operates natural gas processing facilities in Saskatchewan.

ii) **Totnes Natural Gas Storage Facility (Totnes)**
The Corporation has a 50.0 per cent interest in Totnes, which operates natural gas storage facilities in Saskatchewan.

iii) **Cory Cogeneration Station (Cory)**
The Corporation has a 50.0 per cent interest in an unincorporated joint venture with ATCO Power Canada Ltd. The joint venture owns and operates a 228 MW natural gas-fired, cogeneration power plant (Cory Cogeneration Station) near Saskatoon, Saskatchewan. The electricity generated by the facility is sold to the Corporation under the terms of a 25-year power purchase agreement.

Special purpose entities

The Corporation has established certain special purpose entities (SPEs) for trading and investment purposes. The Corporation does not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Corporation and the SPE's risks and rewards, the Corporation concludes that it controls the SPE. SPEs controlled by the Corporation were established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in the Corporation receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

The Corporation has two SPEs, Meadow Lake Pulp Limited Partnership and 212822 Saskatchewan Ltd. These SPEs are not material to the Corporation's consolidated results.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

a) Basis of consolidation *(continued)*

Transactions eliminated on consolidation

Inter-group balances and transactions, and any unrealized income and expenses arising from inter-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with investments in equity accounted investees are eliminated against the investment to the extent of the Corporation's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Cash and cash equivalents

Cash and cash equivalents include short-term investments that have a maturity date of ninety days or less.

c) Inventories

Inventories for resale, including natural gas in storage held-for-resale, are valued at the lower of weighted average cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale. Net realizable value for natural gas inventory is determined using natural gas market prices based on anticipated delivery dates. Natural gas in storage held-for-resale is charged to inventory when purchased and expensed as sold.

Other supplies inventories are valued at the lower of weighted average cost and net realizable value. Replacement cost is used as management's best estimate of the net realizable value for other supplies inventory. In establishing the appropriate provision for supplies inventory obsolescence, management estimates the likelihood that supplies inventory on hand will become obsolete due to changes in technology. Other supplies are charged to inventory when purchased and expensed or capitalized when used.

d) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of the asset. The cost of self-constructed assets includes materials, services, direct labour, directly attributable overheads, and other costs directly attributable to preparing the asset for its intended use. Interest costs associated with major capital and development projects that are six months or longer in duration are capitalized during the construction year at the weighted average cost of long-term borrowings. Assets under construction are recorded as in progress until operational and available for use, at which time they are transferred to property, plant and equipment.

Costs are recognized as an asset if it is probable that economic benefits associated with the item will flow to the Corporation and the cost can be reliably measured. Significant renewals and enhancements to existing assets are capitalized only if the useful life of the asset is increased, physical output, service capacity or quality is improved above original design standards, or operating costs are reduced by a substantial and quantifiable amount that can be reliably measured. The cost of maintenance, repairs, renewals or replacements which do not provide benefits into the future are charged to operating expense as incurred.

Significant parts of an item of property, plant and equipment that have different useful lives are accounted for as separate items of property, plant and equipment.

When property, plant and equipment is disposed of or retired, the related costs less accumulated depreciation and impairment losses are eliminated from the accounts. Any resulting gains or losses are reflected in net earnings in the year of disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e) Depreciation of property, plant and equipment

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual amount. Depreciation is recorded primarily on the straight-line basis over the useful life of each asset as follows:

Machinery and equipment	3 - 100 years
Buildings and improvements	3 - 100 years
Coal properties and rights	21 years

The useful life and depreciation method are reviewed periodically to ensure consistency with the expected pattern of economic benefits from these assets.

Assets held under finance leases are depreciated over the expected useful economic life of each asset on the same basis as for owned assets, or where shorter, the lease term.

f) Intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

The Corporation measures goodwill as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in net earnings.

Subsequent to acquisition, goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

On disposal of a subsidiary or a joint operation, the attributed amount of goodwill is included in the determination of the gain or loss on disposal.

Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in net earnings when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if the amount can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Corporation intends to and has sufficient resources to complete development and to use or sell the asset. Expenditures capitalized include the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Interest costs related to the development of qualifying assets are capitalized. Other development expenditures are recognized in net earnings as incurred.

Finite-life intangibles

Finite-life intangible assets, acquired individually, with a group of other assets, or through the Corporation's authorized dealers are measured at cost of acquisition or development less accumulated amortization and accumulated impairment losses and may include direct development costs, and overhead costs directly attributable to the development activity. Customer accounts acquired are measured at cost less accumulated amortization and any accumulated impairment losses, and are amortized on a straight-line basis over an estimated useful life of 5 to 10 years from the date of acquisition.

4. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

f) **Intangible assets** *(continued)*

Finite-life intangibles *(continued)*

Capitalized software includes externally purchased software packages as well as external and internal direct labour costs related to internally developed programs. Software development costs are capitalized if it is probable that the asset developed will generate future economic benefits. Software is amortized on a straight-line basis over an estimated useful life of 1 to 10 years from the date of acquisition. Maintenance of existing software programs is expensed as incurred.

Estimated useful lives of finite-life intangible assets are reviewed annually with any changes applied prospectively.

Indefinite-life intangibles

Spectrum licences, for wireless telecommunication services, have been classified as indefinite-life intangible assets due to the current licensing terms, the most significant of which are minimal renewal fees and no regulatory precedent of material licence revocation. Should these factors change, the classification as indefinite life will be reassessed. The licences are not subject to amortization and are carried at cost less accumulated impairment losses.

g) **Investment property**

Properties held for rental purposes are classified as investment properties and are measured at cost less accumulated amortization and impairment losses. Amortization is recorded on investment property on the straight-line basis over the estimated life of each asset as follows:

Buildings	20 - 80 years
Infrastructure	25 - 60 years
Leasehold improvements	Lease term

Depreciation commences when the asset is ready for its intended use. The useful life and depreciation method are reviewed periodically to ensure consistency with the expected pattern of economic benefits from these assets.

h) **Deferred supply agreements**

Deferred supply agreements include payments made in accordance with long-term coal supply agreements. The Corporation is amortizing the deferred assets over the remaining life of the long-term coal supply agreements.

i) **Financial instruments**

The Corporation classifies its financial instruments into one of the following categories: fair value through profit or loss; loans and receivables; and other liabilities.

Financial assets and liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

All financial instruments are measured at fair value on initial recognition. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments at fair value through profit or loss in which case the transaction costs are expensed as incurred. Measurement in subsequent years depends on the classification of the financial instrument.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) Financial instruments *(continued)*

Financial instruments at fair value through profit or loss

Financial assets and financial liabilities are classified as fair value through profit or loss if those instruments are held for trading or designated as such upon initial recognition. A financial asset or financial liability is classified as held for trading if it has been acquired with the intention of generating profits in the near term or is part of a portfolio of financial instruments that are managed together where there is evidence of a recent pattern of short-term profit taking. A financial asset or financial liability is designated as fair value through profit or loss if the Corporation manages such instruments and makes decisions based on the fair value of those instruments in accordance with the Corporation's documented risk management or investment strategy. Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value with any revaluation gains and losses recognized in net earnings. The Corporation classifies cash and cash equivalents, derivative financial assets and liabilities that do not qualify as a hedge and are not designated as a hedge, sinking funds, restricted cash and cash equivalents, certain investments included in Note 7, and bank indebtedness as financial instruments at fair value through profit or loss.

Loans and receivables

The Corporation classifies accounts receivable and certain investments as disclosed in Note 7, as loans and receivables. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are accounted for at amortized cost using the effective interest method, less any impairment losses.

Investments under securities lending program

Securities lending transactions are entered into on a collateralized basis. The securities lent are not de-recognized on the Consolidated Statement of Financial Position given that the risks and rewards of ownership are not transferred from the Corporation to the counterparties in the course of such transactions. The securities are included in the Consolidated Statement of Financial Position on the basis that the counterparties may resell or re-pledge the securities during the time that the securities are in their possession.

Securities received from counterparties as collateral are not included in the Consolidated Statement of Financial Position given that the risks and rewards of ownership are not transferred from the counterparties to the Corporation in the course of such transactions.

Structured settlements

In the normal course of insurance claim adjudication, the Corporation settles certain long-term claims losses through the purchase of annuities under structured settlement arrangements with life insurance companies. As the Corporation does not retain any interest in the related insurance contract and obtains a legal release from the claimant, any gain or loss on the purchase of the annuity is recognized in the Consolidated Statement of Comprehensive Income at the date of the purchase and the related claims liabilities are derecognized. However, the Corporation remains exposed to the credit risk that the life insurance companies may fail to fulfil their obligations.

Other liabilities

Other liabilities are non-derivative financial liabilities that are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial liabilities are accounted for at amortized cost using the effective interest method. The Corporation classifies trade and other payables, notes payable, long-term debt and finance lease obligations as other liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) Financial instruments *(continued)*

Derivative instruments

The Corporation utilizes a variety of derivative instruments to manage its exposure to interest rate, electricity and natural gas price risk.

In order to qualify for hedge accounting, the Corporation designates derivatives as hedges through formal documentation of all relationships between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking the hedge transaction. This process includes linking derivatives to specific assets and liabilities or to specific firm commitments or forecast transactions. The Corporation formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives used are highly effective in offsetting changes in cash flows of the hedged time and the timing of the cash flows is similar.

The Corporation may enter into bond forward agreements to hedge exposures to anticipated changes in interest rates on certain forecasted issuances of long-term debt. The Corporation has chosen to designate these contracts as cash flow hedges. As such, the effective portion of the changes in fair value related to the derivative financial instruments have been recognized in other comprehensive income, with the fair value being recognized as derivative financial assets or liabilities on the Consolidated Statement of Financial Position. When the derivatives expire upon the issuance of long-term debt, the resulting gain or loss recorded in accumulated other comprehensive income is amortized to net earnings over the term of the debt. If no debt is issued, the gain or loss is recognized in net earnings immediately.

Derivative instruments not designated as a hedge are held for trading and are recorded at fair value in the Consolidated Statement of Financial Position in current assets or current liabilities, as described in Note 8, commencing on the trade date. The change in the fair value is recorded in net earnings and classified within the revenue or expense category to which it relates. The revenue and expense categories impacted are described in Note 8(b).

Certain commodity contracts for the physical purchase of natural gas qualify as own-use contracts. The Corporation entered into these contracts for the purpose of physical receipt of the natural gas in accordance with its own expected usage requirements for the generation of electricity. As such, these non-financial derivative contracts are not recorded at fair value on the Consolidated Statement of Financial Position; rather, the contracts are accounted for as a purchase at the time of delivery.

Derivatives may be embedded in other host instruments. Embedded derivatives are treated as separate derivatives when the economic characteristics and risks are not closely related to those of the host instrument, the embedded derivative has the same terms as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with subsequent changes recognized in net earnings.

The Corporation utilizes natural gas sales contracts with embedded derivatives for non-regulated contract sales to large end-use customers.

j) Impairments

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset which can be estimated reliably.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

j) Impairments *(continued)*

Financial assets *(continued)*

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Corporation considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Corporation uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net earnings and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net earnings.

Non-financial assets

The carrying amounts of non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Corporation's assets do not generate separate cash inflows. If there is an indication that an asset may be impaired, then the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net earnings. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

j) Impairments *(continued)*

Non-financial assets *(continued)*

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

k) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The unwinding of the discount on provisions is recognized in the Consolidated Statement of Comprehensive Income as finance expenses.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Decommissioning provisions

A decommissioning provision is a legal or constructive obligation associated with the decommissioning of a long-lived asset. The Corporation recognizes decommissioning provisions in the year incurred if a reasonable estimate of fair value (net present value) can be determined. The Corporation recognizes decommissioning provisions in the year in which the facility is commissioned.

The fair value of estimated decommissioning costs is recorded as a provision with an offsetting amount capitalized and included as part of property, plant and equipment. Decommissioning provisions are increased periodically for the passage of time by calculating accretion expense on the provision. The offsetting capitalized costs are depreciated over the estimated useful life of the related asset.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows including the method and timing of decommissioning and an estimate of future inflation. Decommissioning provisions are periodically reviewed and any changes in the estimated timing and amount of future cash flows, as well as changes in the discount rate, are recognized as an increase or decrease in the carrying amount of the liability and the related asset. If the asset is fully depreciated, the changes are recognized in net earnings immediately.

Environmental remediation

A provision for environmental remediation is accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations and remediation at identified sites. These provisions are based on management's best estimate considering current environmental laws and regulations and are recorded at fair value. The Corporation reviews its estimates of future environmental expenditures on an ongoing basis. Changes in the estimated timing and amount of future cash flows, as well as changes in the discount rate, are recognized in net earnings immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

k) Provisions *(continued)*

Unpaid insurance claims

The provision for unpaid claims represents an estimate of the total cost of outstanding claims. The estimate includes the cost of reported claims, claims incurred but not reported, an estimate of adjustment expenses to be incurred on these claims and a provision for adverse deviation in accordance with Canadian Institute of Actuaries' Standards. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as claims incurred in the current year and is included in operating expenses.

l) Revenue

Natural gas sales and delivery

Revenue is recognized when natural gas is delivered to customers. An estimate of natural gas delivered, but not billed, is included in revenue.

Natural gas transportation and storage

Revenue is recognized when transportation, storage and related services are provided to the customer. An estimate of transportation, storage and related services rendered but not billed is included in revenue.

Electricity

Electricity revenue is recognized upon delivery to the customer and includes an estimate of electrical deliveries not yet billed at year end. Electricity trading revenues and expenses are reported on a gross basis upon delivery of electricity to the customers and receipt of electricity purchased from external parties. Electricity trading contracts are recorded at fair value.

Telecommunications

Telecommunications revenue represents the fair value of the consideration received or receivable for the services provided and equipment sales, net of discounts, volume rebates and sales taxes. Revenue from the sale of equipment and rendering of services is recognized in the year the services are provided or the equipment is sold, when there is persuasive evidence that an arrangement exists, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Corporation and, in the case of equipment sales, when the significant risks and rewards of ownership of the goods are transferred to the buyer. Where the Corporation acts as an agent in a transaction, amounts collected on behalf of the principal are excluded from revenue.

Revenues from local telecommunications, data, internet, entertainment and security services are recognized based on access to the Corporation's network and facilities at the rate plans in effect during the year the service is provided. Certain service connection charges and activation fees, along with corresponding direct costs are deferred and recognized over the average expected term of the customer relationship. Revenues from long distance and wireless airtime are recognized based on the usage or rate plans in the year service is provided. Revenues from equipment sales are recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer, typically when the equipment is delivered to and accepted by the customer. Revenues for longer term contracts are recognized in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. Payments received in advance are recorded as deferred revenue until the product or service is delivered.

Customer solutions may involve the delivery of multiple services and products that occur at different points and over different periods of time. The multiple services are separated into respective accounting units and consideration is allocated among the accounting units. The relevant revenue recognition policies are applied to each accounting unit.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

l) Revenue *(continued)*

Telecommunications *(continued)*

When the Corporation receives no identifiable separate benefit for consideration given to a customer (discounts and rebates), the consideration is recorded as a reduction of revenue rather than as an expense.

Revenues are earned through the sale of print and electronic telephone directory advertising, and on-line advertising. Print directory advertising revenues are recognized at the delivery date of the directory. Electronic directory advertising revenues are recognized commencing with the display date. Amounts billed in advance for directory advertising are deferred and recognized at the delivery date of the directory.

Operating revenues for perpetual licences are recognized on delivery or according to the terms of the licence agreement. Where the arrangement includes multiple elements, perpetual licence revenues are recognized on delivery, provided the undelivered elements are not essential to the functionality of the licence, the Corporation has evidence of fair value for all the undelivered items and completion costs are reliably measurable. Fees for professional services, other than in the context of multiple element arrangements are recognized as services are rendered. Support and maintenance fees are recognized over the term of the contract. Revenues for customized software projects and consulting services are recognized using the percentage of completion method. Amounts billed or paid in advance of services provided are recorded as deferred revenue.

The Canadian Radio-television and Telecommunications Commission (CRTC) has established a National Subsidy Fund to subsidize Local Exchange Carriers (LECs), like the Corporation, that provide service to residential customers located in high cost service areas (HCSAs). The CRTC has set the rate per line and band for all LECs. The Corporation recognizes the revenue on an accrual basis by applying the rate to the number of residential network access lines served during the year in HCSAs.

Property and casualty insurance

The Corporation's property and casualty insurance policies have all been classified upon inception as insurance contracts. An insurance contract is a contract that transfers significant insurance risk and, upon the occurrence of the insured event, causes the insurer to make a benefit payment to the insured party. The sale of policies generates premiums written and are taken into net earnings over the terms of the related policies, no longer than 12 months. The portion of the policy premiums relating to the unexpired term of each policy is recorded as an unearned insurance premium (Note 18).

At the end of each year, a liability adequacy test is performed to validate the adequacy of unearned insurance premiums (Note 18) and deferred policy acquisition costs (included in prepaid expenses on the Consolidated Statement of Financial Position). A premium deficiency would exist if unearned insurance premiums are deemed insufficient to cover the estimated future costs associated with the unexpired portion of written insurance policies. A premium deficiency would be recognized immediately as a reduction of prepaid expenses to the extent that unearned insurance premiums plus anticipated finance income is not considered adequate to cover all deferred policy acquisition costs and related insurance claims and expenses. If the premium deficiency is greater than the unamortized deferred policy acquisition costs, an unearned insurance premium liability is accrued for the excess deficiency.

Property registration

Land, corporate and personal property registry revenues are recognized when services are rendered.

Gaming

Gaming revenue (table and slot revenues) represents the net win from gaming activities, which is the difference between the amounts wagered and the payouts by the casino. Gaming revenues are net of accruals for anticipated payouts of progressive jackpots.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

l) Revenue *(continued)*

Customer contributions

The Corporation obtains customer contributions related to the construction of new natural gas, electricity, water and waste-water service connections. Customer contributions for natural gas and electricity service are recognized initially as deferred revenue and are recognized into net earnings once the related property, plant and equipment is available for use. These customer contributions are often subject to refunds over a specified period. An estimate of these refunds remains in deferred revenue until the eligible refund period expires. Customer contributions received from water and waste-water customers are recognized initially as other liabilities when there is reasonable assurance that they will be received and the Corporation will comply with the conditions associated with the customer contract. The contributions are then recognized into net earnings on a systematic basis over the life of the related customer contract. If there is no customer contract in place the contributions are recognized into net earnings on a systematic basis over the life of the related assets.

Other

Revenue from sales of other products is recognized when goods are shipped and title has passed to the customer or based on the right to revenue pursuant to contracts with customers, tenants and clients.

m) Government grants

Conditional government grants are initially measured at fair value and recognized as other liabilities provided that there is reasonable assurance that the grant will be received and the Corporation will comply with the conditions associated with the grant. Grants that compensate the Corporation for expenses incurred are recognized in net earnings in the same year in which the expenses are recognized. Grants that compensate the Corporation for the cost of an asset are netted against the capitalized asset cost and recognized in net earnings over the useful life of the asset.

n) Foreign currency transactions

Transactions in foreign currencies are translated to Canadian dollars at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Canadian dollars at the exchange rate at that date. Non-monetary assets and liabilities are translated using the exchange rates on the date of the transactions. Foreign currency differences arising on translation are recognized in net earnings.

o) Employee future benefits

The Corporation has three defined benefit pension plans, a defined contribution pension plan, and other plans that provide post-retirement benefits for its employees.

Defined contribution pension plan

A defined contribution plan is a post-employment benefit under which the Corporation pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan are recognized as an employee future benefit expense in net earnings in the year during which services are rendered by employees.

Defined benefit pension plans

A defined benefit pension plan is a post-employment benefit plan other than a defined contribution pension plan. The Corporation's net obligation in respect of the defined benefit pension plans is calculated by estimating the discounted amount of future benefit that employees have earned in return for service in the current and prior years and deducting the fair value of plan assets.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

o) Employee future benefits *(continued)*

Defined benefit pension plans *(continued)*

The calculation of the net defined benefit pension obligation or asset is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the defined benefit pension plans or reductions in future contributions to the pension plans. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit pension obligation or asset, comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), and are recognized immediately in other comprehensive income (OCI). The net interest expense (income) on the net defined benefit pension plan obligation or asset is determined by applying the discount rate used to measure the defined benefit pension plan obligation or asset at the beginning of the year, to the net defined benefit pension plan obligation or asset, taking into account any changes in the net defined pension plan obligation or asset during the year as a result of contributions and benefit payments. Net interest expense related to the defined benefit pension plans is recognized immediately in net earnings as part of finance expenses.

When the benefits of the defined benefit pension plans are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in net earnings. The Corporation recognizes gains and losses on the settlement of defined benefit pension plans when the settlement occurs.

The discount rate used to determine the benefit obligation and the fair value of plan assets is determined by reference to market interest rates at the measurement date of high-quality debt instruments, with cash flows that match the timing and amount of expected benefit payments.

Other defined benefit plans

The Corporation's obligation in respect of employee future benefits other than pension plans is the discounted estimated amount of future benefit that employees have earned in return for service in the current and prior years. The discount rate used to determine the benefit obligation is determined by reference to market interest rates at the measurement date of high-quality debt instruments, with cash flows that match the timing and amount of expected benefit payments. The calculation is performed by a qualified actuary using the projected unit credit method. Remeasurements, consisting of actuarial gains and losses, are recognized immediately in OCI. Net interest expense on the other defined benefit obligation is recognized immediately in net earnings as part of finance expenses.

The Corporation has not established a trust nor does it hold property for the specific purpose of providing benefits to the participants of these plans. Benefits are funded by the current operations of the Corporation.

p) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

q) Assets held-for-sale

Assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than continuing use are classified as held-for-sale. Immediately before classification as held-for-sale, the assets (or components of a disposal group) are re-measured in accordance with the Corporation's accounting policies. Thereafter, generally the assets (or disposal group) are measured at the lower of the carrying amount and the fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to inventories, employee future benefit assets, or investment property, which continue to be measured in accordance with the Corporation's accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on re-measurement are recognized in net earnings. Gains are not recognized in excess of cumulative impairment losses.

r) Finance income and expenses

Finance income comprises sinking fund earnings, interest income on investments at fair value through profit or loss, gains on sale of investments at fair value through profit or loss, changes in fair value of financial assets at fair value through profit or loss, and interest income from defined benefit pension plans.

Finance expenses comprise interest expense on financial liabilities measured at amortized cost, changes in the fair value of financial assets at fair value through profit or loss, accretion expense on provisions less interest capitalized, interest costs on defined benefit pension plans and other defined benefit plans, and amounts amortized to net earnings from accumulated other comprehensive income. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset, with a corresponding decrease in financing expenses.

On the Consolidated Statement of Cash Flows, interest paid is classified as an operating activity, interest received is classified as an investing activity, dividends received are classified as an investing activity and dividends paid are classified as a financing activity.

s) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the Corporation. The Corporation has assessed its arrangements to determine whether or not leases exist. Certain take-or-pay power purchase agreements which, in management's judgement, give the Corporation the exclusive right to use specific production assets, meet the definition of a lease. These arrangements are classified as finance leases.

Assets held under finance leases are initially recognized at the lower of fair value at the inception of the lease or the present value of the minimum lease payments. The corresponding liability is recorded as a finance lease obligation. Each lease payment is allocated between the liability and interest so as to achieve a constant rate on the finance balance outstanding. The interest component is included in finance expense.

All other transactions in which the Corporation is the lessee are classified as operating leases. Payments made under operating leases are expensed over the term of the lease.

t) Discontinued operations

A discontinued operation is a component of the Corporation's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held-for-sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for-sale if earlier. When an operation is classified as a discontinued operation, the comparative Consolidated Statement of Comprehensive Income is reclassified as if the operation had been discontinued from the start of the comparative year.

4. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

u) **New accounting standards and interpretations not yet adopted**

The following new and amended standards and interpretations, are not yet effective for the year ended December 31, 2013, and have not been applied in preparing the consolidated financial statements:

IFRS 4, *Insurance Contracts*

In June 2013, the International Accounting Standards Board (IASB) published a revised exposure draft (2013 ED) on the accounting for insurance contracts which builds on the previous consultations undertaken in 2007 and 2010. The 2013 ED is the result of deliberations at the IASB using comments received from constituents. The 2013 ED continues to propose a new standard on accounting for insurance contracts, which would replace IFRS 4, *Insurance Contracts*. The proposals represent a comprehensive IFRS accounting model for insurance contracts and are expected to have a significant impact on the consolidated financial statements. A final standard is expected in 2015 with implementation not expected before 2018.

Amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities*

On December 16, 2011, the IASB issued amendments to IAS 32 as part of its offsetting project. The amendments are to be applied retrospectively and will be effective for annual period beginning on or after January 1, 2014. The amendments clarify certain items regarding offsetting financial assets and financial liabilities. The Corporation has determined that adoption of the amendments will have no material impact on the consolidated financial statements.

IFRS 9, *Financial Instruments*

IFRS 9 was issued by the IASB on November 12, 2009 and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standards are to be applied prospectively. The IASB has deferred finalization of IFRS 9 indefinitely, and therefore, an effective date is not known at this time.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. Under IFRS 9, financial assets will generally be measured initially at fair value plus particular transaction costs, and subsequently at either amortized cost or fair value. In October 2010, the IASB issued additions to IFRS 9 relating to accounting for financial liabilities. Under the new requirements, an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's credit risk in other comprehensive income, rather than within net earnings. The Corporation is reviewing the standard to determine the potential impact, if any, on the consolidated financial statements.

IAS 36, *Impairment of Assets - Recoverable Amounts Disclosures for Non-Financial Assets*

In May 2013, the IASB issued limited scope amendments to IAS 36. The amendment clarified the requirement to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit (CGU) for which a material impairment loss was recognized or reversed during the reporting period. In addition, the amendment requires an entity to disclose the discount rate used in a present value technique that has been used in determining the recoverable amount of an impaired asset on the basis of fair value less costs of disposal. These amendments are effective for annual periods beginning on or after January 1, 2014. The Corporation does not expect these amendments to have a material impact on the consolidated financial statements.

Annual Improvement Cycles

In 2012, the IASB issued two exposure drafts for Annual Improvements Cycles 2010 - 2012 and 2011 - 2013, which include minor amendments to a number of IFRS. The annual improvements process is used to make necessary but non-urgent changes to IFRS that are not included in other projects. The amendments issued are all effective for annual periods beginning January 1, 2014. The Corporation is in the process of assessing the impact of the amendments.

5. STATUS OF CIC

CIC was established by Order in Council 535/47 dated April 2, 1947, and is continued under the provisions of *The Crown Corporations Act, 1993*. CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a provincial Crown corporation is not subject to federal and provincial income taxes. Certain associates, joint ventures, joint operations and subsidiaries are not provincial Crown corporations and are subject to federal and provincial income taxes.

6. CASH AND CASH EQUIVALENTS

(thousands of dollars)

	2013	2012
Cash	$ 68,466	$ 65,280
Short-term investments	344,117	262,747
	$ 412,583	$ 328,027

The weighted average interest rate for short-term investments included in cash and cash equivalents at December 31, 2013 was 1.09 per cent (2012 - 1.09 per cent).

7. INVESTMENTS

(thousands of dollars)

	2013	2012
Short-term investments		
Short-term investments at fair value through profit or loss	$ 191,667	$ 415,104
Loans and notes receivable	-	3,580
Loans receivable - Immigrant Investor Program (IIP) (a)	32,269	27,274
Sinking funds - at fair value through profit or loss (b)	5,982	2,230
	$ 229,918	$ 448,188
Portfolio investments - at fair value through profit or loss	$ 264,466	$ 215,618
Bonds, debentures, loans and notes receivable		
Bonds and debentures - at fair value through profit or loss	390,708	431,027
Bonds and debentures - held to maturity	53,691	-
Loans and notes receivable	4,432	8,781
Loans receivable - IIP (a)	11,524	7,028
	460,355	446,836
Leases receivable	2,952	3,485
Sinking funds - at fair value through profit or loss (b)	545,179	562,575
Other - at fair value through profit or loss	1,840	1,610
	$ 1,274,792	$ 1,230,124

a) Included in loans receivable is $32.3 million (2012 - $27.3 million) of current loans and $11.5 million (2012 - $7.0 million) of non-current loans with various builders and developers which are used to construct housing units for subsequent sale to eligible parties pursuant to the HeadStart on a Home program (Note 9(b)). Principal is repayable on demand. In the absence of a demand for principal repayment, principal is repayable upon the sale of individual units and no later than loan maturity which is defined as 16 - 18 months from the date of the loan is advanced.

7. INVESTMENTS *(continued)*

Accrued interest is payable on demand. In the absence of such demand, interest is payable monthly. Interest is subject to the following terms:

i) At a fixed rate of 4.0 per cent calculated daily and payable monthly in arrears during construction;
ii) In the event of default, the borrower pays interest at a fixed rate of 4.0 per cent with interest on overdue interest at the same rate, compounded monthly; and
iii) Upon demand being made, interest is payable both before and after maturity or default at the rate of the Bank of Canada prime rate plus 5.0 per cent with interest on overdue interest at the same rate, compounded monthly.

b) Changes in the carrying amount of sinking funds are as follows (thousands of dollars):

	2013	2012
Sinking funds, beginning of year	$ 564,805	$ 513,215
Net installments	8,258	35,896
Earnings	27,137	32,454
Valuation adjustment	(49,039)	(16,760)
Sinking funds, end of year	551,161	564,805
Less current portion	(5,982)	(2,230)
	$ 545,179	$ 562,575

Sinking fund installments due in each of the next five years are as follows (thousands of dollars):

2014	$ 49,483
2015	48,959
2016	48,435
2017	47,572
2018	46,767

c) The Corporation holds one Class B share of Cameco Corporation (Cameco) which provides the Corporation with the ability to exercise special voting rights with respect to the location of Cameco's head office.

8. FINANCIAL AND INSURANCE RISK MANAGEMENT

Financial risk management

The Corporation is exposed to market risk (power generation, natural gas sales, equity prices, sinking funds, foreign exchange rates and interest rates), credit risk and liquidity risk. The Corporation utilizes a number of financial instruments to manage market risk. The Corporation mitigates these risks through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgement and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

8. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

(thousands of dollars)

Financial Instruments	Classification (i)	2013 Carrying Amount	2013 Fair Value	2012 Carrying Amount	2012 Fair Value
Financial Assets					
Cash and cash equivalents	FVTPL	$ 412,583	$ 412,583	$ 328,027	$ 328,027
Accounts receivable	LAR	728,364	728,364	664,010	664,010
Derivative financial assets	FVTPL	36,361	36,361	56,428	56,428
Restricted cash and cash equivalents	FVTPL	128,837	128,837	75,812	75,812
Investments - amortized cost	HTM	53,691	53,691	-	-
Investments - sinking funds - fair value	FVTPL	551,161	551,161	564,805	564,805
Investments - fair value	FVTPL	848,681	848,681	1,063,359	1,063,359
Investments - loans	LAR	7,384	(ii)	15,846	(ii)
Investments - loans - IIP	LAR	43,793	43,747	34,302	34,313
Financial Liabilities					
Bank indebtedness	FVTPL	14,462	14,462	5,724	5,724
Trade and other payables	OL	838,231	838,231	716,784	716,784
Derivative financial liabilities	FVTPL	102,157	102,157	96,767	96,767
Notes payable	OL	1,461,802	1,461,802	1,149,319	1,149,319
Long-term debt	OL	5,162,244	5,872,470	4,560,419	5,909,893
Finance lease obligations	OL	1,144,479	1,222,912	442,370	517,011

Derivative Instruments	Classification (i)	2013 Asset	2013 (Liability)	2012 Asset	2012 (Liability)
Physical natural gas contracts	FVTPL	$ 22,580	$ (23,037)	$ 24,841	$ (16,080)
Natural gas price swaps	FVTPL	8,582	(79,050)	31,566	(76,240)
Electricity contracts for differences	FVTPL	7	(70)	21	-
Physical electricity forwards	FVTPL	4,890	-	-	(641)
Foreign exchange contracts	FVTPL	302	-	-	-
Bond forward agreements	FVTPL	-	-	-	(3,806)
		$ 36,361	$ (102,157)	$ 56,428	$ (96,767)

i) Classification details are:
FVTPL - fair value through profit or loss
HTM - held-to-maturity
LAR - loans and receivables
OL - other liabilities

ii) The uncertainty and potentially broad range of fair values for Investments - loans (loans and receivables), renders the disclosure of a fair value with appropriate reliability impractical.

Financial assets and liabilities are offset within the Consolidated Statement of Financial Position if the Corporation has the legal right to offset and intends to settle on a net basis. When natural gas contracts settle or become realized, the Corporation records the amount due to or from counterparties within accounts receivable or trade and other payables. The Corporation offsets these amounts when the counterparty and timing of settlements are the same, which reflects the Corporation's expected future cash flows from settling its natural gas contracts.

8. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

At year end, the following amounts were netted within the Consolidated Statement of Financial Position (thousands of dollars):

	2013	2012
Accounts receivable		
Gross amount recognized	$ 30,947	$ 38,516
Amount offset	(16,820)	(29,909)
Net amount presented in the Consolidated Statement of Financial Position	$ 14,127	$ 8,607
Trade and other payables		
Gross amount recognized	$ 40,939	$ 53,853
Amount offset	(16,820)	(29,909)
Net amount presented in the Consolidated Statement of Financial Position	$ 24,119	$ 23,944

a) **Fair value hierarchy**

Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of inputs used in the valuation.

Level 1 - Unadjusted quoted prices for identical assets or liabilities are readily available from an active market. The Corporation defines an active market based on the frequency of valuation and any restrictions or illiquidity on disposition of the underlying asset or liability and trading volumes.

Level 2 - Inputs, other than quoted prices included in level 1 that are observable either directly or indirectly.

Level 3 - Inputs are not based on observable market data.

As at December 31, 2013, the Corporation's financial instruments are categorized within this hierarchy as follows (thousands of dollars):

	2013			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 412,583	$ -	$ -	$ 412,583
Restricted cash and cash equivalents	128,837	-	-	128,837
Bank indebtedness	14,462	-	-	14,462
Notes payable	1,461,802	-	-	1,461,802
Investments carried at fair value through profit or loss	390,055	1,000,205	9,582	1,399,842
Investments - amortized cost	-	53,691	-	53,691
Loans and receivables - IIP	-	43,747	-	43,747
Finance lease obligations	-	1,222,912	-	1,222,912
Long-term debt	-	5,872,470	-	5,872,470
Physical natural gas contracts - net	-	(457)	-	(457)
Natural gas price swaps - net	-	(70,468)	-	(70,468)
Electricity contracts for differences - net	-	(63)	-	(63)
Physical electricity forwards - net	-	4,890	-	4,890
Foreign exchange contracts	-	302	-	302

8. **FINANCIAL AND INSURANCE RISK MANAGEMENT** *(continued)*

Financial risk management *(continued)*

a) **Fair value hierarchy** *(continued)*

(thousands of dollars):

	2012 Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 328,027	$ -	$ -	$ 328,027
Restricted cash and cash equivalents	75,812	-	-	75,812
Bank indebtedness	5,724	-	-	5,724
Notes payable	1,149,319	-	-	1,149,319
Investments carried at fair value through profit or loss	556,048	1,058,175	13,941	1,628,164
Loans and receivables - IIP	-	34,313	-	34,313
Finance lease obligations	-	517,011	-	517,011
Long-term debt	-	5,909,893	-	5,909,893
Physical natural gas contracts - net	-	8,761	-	8,761
Natural gas price swaps - net	-	(44,674)	-	(44,674)
Electricity contracts for differences - net	-	21	-	21
Physical electricity forwards - net	-	(641)	-	(641)
Bond forwards - net	-	(3,806)	-	(3,806)

For the year ended December 31, 2013, changes in Level 3 investments carried at fair value are as follows (thousands of dollars):

	2013	2012
Balance, beginning of year	$ 13,941	$ 23,471
Unrealized losses attributable to assets held at the end of the year included in impairment losses	(5,009)	(4,252)
Purchases	5,350	1,250
Sales	(4,020)	(6,353)
Other	(680)	(175)
Balance, end of year	$ 9,582	$ 13,941

Investments carried at fair value through profit or loss

i) **Categorized as level 2**

Investments carried at fair value through profit and loss and categorized as level 2 in the hierarchy include sinking funds, bonds, debentures, pooled mortgage investments and certain loans receivable related to IIP as disclosed in Note 7.

The fair value of sinking funds is determined by the Saskatchewan Ministry of Finance using a market approach with information provided by investment dealers. To the extent possible, valuations reflect indicative secondary pricing for these securities. In all other circumstances, valuations are determined with reference to similar actively traded instruments.

The fair value of bonds and debentures is derived from market price data for same or similar instruments obtained from the investment custodian, investment managers or dealer markets.

The fair value of pooled mortgage investments is determined based on the market values of the underlying mortgage investments, calculated by discounting scheduled cash flows through to the estimated maturity of the mortgage, subject to adjustments for liquidity and credit risk.

The fair value of loans receivable related to the IIP is calculated by discounting scheduled cash flows through to the estimated maturity of the loan using commercial interest rates for similar term loans.

8. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

a) Fair value hierarchy *(continued)*

ii) Categorized as level 3

Where evidence of a recent arm's length transaction has occurred in the shares of an unlisted equity position held by the Corporation, the Corporation considers such a transaction to generally provide a good indication of fair value. Where a recent arm's length transaction has not occurred, or secondary indicators exist which would question the applicability of a recent transaction, the Corporation considers alternative valuation methodologies. These methods are primarily focused on the projected earnings or cash flows of the business, discounted to present value by applying a discount rate which appropriately reflects industry and company specific risk factors.

Determining fair value for the Corporation's category 3 investments which are not publicly traded and recorded at fair value through profit or loss requires application of professional judgement and use of estimates. Significant estimates utilized by the Corporation include the timing and amount of future cash flows, anticipated economic outlook for the investee's industry, impact of pending or potential regulation or legislation, forecast consumer tastes, emergence of substitute products, anticipated fluctuations in commodities prices, and macro-economic demand.

Significant aspects of professional judgement include selecting an appropriate valuation approach, determining a range of appropriate risk-adjusted rates of return for a series of cash flows, and assessing the risk inherent in cash flows, the probabilities of micro and macro-economic variables occurring, and probabilities of potentially significant company, industry, or economic factors occurring or failing to occur as the case may be.

In circumstances where fair value cannot be estimated reliably, the category 3 investment is reported at the carrying value at the previous reporting date unless there is evidence that the investment has since been impaired. All recorded values of investments are reviewed at each reporting date for any indication of impairment and adjusted accordingly.

Long-term debt

The fair value of long-term debt is determined using an income approach. Fair values are estimated using the present value of future cash flows, discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

Finance lease obligations

Finance lease obligations are valued using internal cash flow models based on contracted pricing in the Corporation's power purchase agreements. The contracted cash flows are discounted using the Government of Saskatchewan bond yields adjusted for a negotiated risk premium.

Derivative financial assets and liabilities

The fair value of electricity-related derivatives, physical natural gas contracts and natural gas price swaps is determined using a market approach. The Corporation obtains quoted market prices from sources such as the New York Mercantile Exchange and the Natural Gas Exchange, independent price publications and over-the-counter broker quotes. The fair value of natural gas price options is determined using an industry-standard valuation model which requires the use of various assumptions, including quoted market values, interest rates and volatility estimates for forward natural gas prices that are based on external market sources. Where contract prices are referenced to an index price that has been fixed, the market price has been used to estimate the contract price.

Bond forward agreement fair values are determined using internal discounted cash flow models that rely on Government of Canada bond yields provided by independent reference dealers. The contracted cash flows are discounted using observable yield curves.

Other financial assets and liabilities

Other financial assets and liabilities including accounts receivable and trade and other payables have not been classified in the fair value hierarchy given that carrying value approximates fair value due to immediate or short-term maturity.

8. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

b) Unrealized gains (losses) on financial instruments

Depending on the nature of the derivative instrument and market conditions, the change in fair value of derivative financial assets and derivative financial liabilities is recorded in net earnings as either revenue or operating expenses. The impact of unrealized gains (losses) on net earnings is as follows (thousands of dollars):

	2013	2012
Revenue	$ (36,909)	$ (36,248)
Finance income	302	-
Operating expenses	7,344	66,436
(Decrease) increase in net earnings	$ (29,263)	$ 30,188

c) Market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing return. The Corporation manages the following market risks:

Power generation

The Corporation is exposed to natural gas price risk through natural gas purchased for its natural gas-fired power plants and through certain power purchase agreements that have a cost component based on the market price of natural gas. As at December 31, 2013, the Corporation had entered into financial and physical natural gas contracts to price manage approximately 62.0 per cent of its budgeted natural gas purchases for 2014, 49.0 per cent for 2015, 40.0 per cent for 2016, 39.0 per cent for 2017, 31.0 per cent for 2018, 29.0 per cent for 2019, 21.0 per cent for 2020, 17.0 per cent for 2021 and 10.0 per cent for 2022.

Based on the Corporation's December 31, 2013 closing positions on its financial natural gas hedges a $1 per gigajoule (GJ) increase in the price of natural gas would have resulted in a $70.2 million improvement in the unrealized market value gains recognized in net earnings in the year. This sensitivity analysis does not represent the underlying exposure to changes in the price of natural gas on the remaining forecasted natural gas purchases which are unhedged as of December 31, 2013.

The Corporation is exposed to electricity price risk on its electricity trading activities. Electricity trading risks are managed through limits on the size and duration of transactions and open positions, including Value at Risk (VaR) limits. VaR is the most commonly used metric employed to track and manage the market risk associated with trading positions. A VaR measure gives, for a specific confidence level, an estimated potential loss that could be incurred over a specified period of time. VaR is used to measure the potential change in value for the proprietary trading portfolio, over a ten day period with a 95.0 per cent confidence level, resulting from normal market fluctuations. VaR is estimated using the historical variance/co-variance approach.

VaR has certain inherent limitations. The use of historical information in the estimate assumes that price movements in the past will be indicative of future market risk. As such, it may be only meaningful under normal market conditions. Extreme market events are not addressed by this risk measure. In addition, the use of a 10-day measurement period implies that positions can be unwound or hedged within that period; however, this may not be possible if the market becomes illiquid. The Corporation recognizes the limitations of VaR and actively uses other controls, including restrictions on authorized instruments, volumetric and term limits, stress-testing of individual portfolios and of the total proprietary trading portfolio, and management review.

As at December 31, 2013, the VaR associated with electricity trading activities was Nil (2012 - Nil).

8. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

c) **Market risk** *(continued)*

Natural gas sales

The Corporation purchases natural gas for resale to its customers. While natural gas is purchased at fluctuating market prices, the Corporation sells natural gas to customers at a fixed commodity rate that is reviewed semi-annually. As part of its natural gas price risk management, the Corporation uses derivative instruments to manage the price of the natural gas it buys on behalf of its customers. The Corporation's objective is to reduce the volatility of natural gas prices and to have rates that are competitive to other utilities. The Corporation also purchases and sells natural gas in the open market to generate incremental net earnings through its natural gas marketing activities.

The purchase or sale price of natural gas may be fixed within the contract or referenced to a floating index price. When the price is referenced to a floating index price, natural gas derivative instruments may be used to fix the settlement amount. The types of natural gas derivative instruments the Corporation may use for price risk management include natural gas price swaps, options, swaptions and forward contracts.

The Corporation's commodity price risk management strategy establishes specific hedging targets, which may differ depending on current market conditions, to guide natural gas risk management activities. Additionally, the Corporation uses mark-to-market value, value-at-risk and net exposure to monitor natural gas price risk.

Based on the Corporation's year end closing positions, an increase of $1 per GJ in natural gas prices would have increased net earnings, through an increase in the fair value of natural gas derivative instruments, by $35.1 million (2012 - $35.8 million). Conversely, a decrease of $1 per GJ would have decreased net earnings, through a decrease in the fair value of natural gas derivative instruments, by $35.1 million (2012 - $35.8 million).

Equity price risk

Equity price risk represents the potential for loss from changes in the value of equity investments.

The Corporation is exposed to changes in equity prices in Canadian, U.S. and EAFE (Europe, Australia and Far East) markets. The fair value of these equities at December 31, 2013 was $198.4 million (2012 - $178.1 million). Individual stock holdings are diversified by geography, industry type, and corporate entity. No one investee or related group of investees represents greater than 10.0 per cent of the market value of the Corporation's common share portfolio. As well, no one holding represents more than 10.0 per cent of the voting shares of any corporation.

The Corporation's equity price risk is assessed using VaR to measure the potential change in the value of an asset class. The VaR has been calculated based on volatility over a four-year period, using a 95.0 per cent confidence level. As such, it is expected that the annual change in the portfolio market value will fall within the range outlined in the following table 95.0 per cent of the time (19 times out of 20 years).

Asset Class (thousands of dollars)		2013		2012
Canadian pooled equity fund and Canadian common shares	+/-	$ 20,199	+/-	$ 36,319
U.S. pooled equity fund and U.S. common shares	+/-	21,182	+/-	8,891
Non-North American pooled equity fund	+/-	15,232	+/-	12,252

8. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

c) **Market risk** *(continued)*

Sinking funds

The Corporation has on deposit with the GRF, under the administration of the Saskatchewan Ministry of Finance, $551.2 million (2012 - $564.8 million) in sinking funds required for certain long-term debt issues. At December 31, 2013, the GRF has invested these funds primarily in Provincial and Federal government bonds with varying maturities to coincide with related debt maturities and are managed based on this maturity profile and market conditions. As such, the related market risk associated with these investments is considered low. The Corporation does not believe that the impact of fluctuations in market prices related to these investments will be material and, therefore, has not provided a sensitivity analysis of the impact on net earnings or other comprehensive income.

Interest rate risk

The Corporation may be exposed to interest rate risk arising from fluctuations in interest rates on short-term and long-term debt. Interest rate risk is managed by having an appropriate mix of fixed and floating rate debt. When deemed appropriate, the Corporation may use derivative financial instruments to manage interest rate risk. In the current low interest rate environment interest rate risk is considered low. However, if interest rates were to change by 100 basis points this would result in an increase or decrease in net earnings of approximately $14.0 million at December 31, 2013 (2012 - $11.6 million).

The Corporation is exposed to changes in interest rates in its fixed income investments, including short-term investments, bonds, debentures, and pooled mortgage investments. It is estimated that a 100-basis-point increase or decrease in interest rates would decrease or increase net earnings by $15.3 million at December 31, 2013 (2012 - $13.7 million).

Foreign currency risk

The Corporation is exposed to currency risk, primarily US dollars, through transactions with foreign suppliers and short-term foreign commitments. The Corporation may use a combination of derivative financial instruments to manage these exposures when deemed appropriate. However, the Corporation has no material financial contracts in place to manage foreign currency risk as of December 31, 2013. The Corporation does not believe that the impact of fluctuations in foreign exchange rates on anticipated transactions will be material and therefore has not provided a sensitivity analysis of the impact on net earnings.

d) **Credit risk**

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Corporation does not have material concentrations of credit risk given that the majority of accounts receivable is diversified among many residential, farm and commercial customers primarily throughout Saskatchewan.

The Corporation has material concentrations of credit risk on its loans receivable which are due from builders and developers located in Saskatchewan and therefore could be similarly impacted by changes in the Saskatchewan economy. However, the loans are diversified with companies and in communities throughout Saskatchewan and therefore may not be identically impacted by changes in the overall Saskatchewan economy. Credit risk on these loans is mitigated through the Corporation holding a security interest in the units constructed using loan proceeds and the land upon which the units are constructed which are located in various communities throughout Saskatchewan.

8. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

d) Credit risk *(continued)*

In addition, the Corporation maintains credit policies and limits in respect to short-term investments, bonds, debentures, loans, notes receivable, leases receivable and counterparties to derivative instruments.

The carrying amount of financial assets represents the maximum credit exposure as follows (thousands of dollars):

	2013	2012
Cash and cash equivalents	$ 412,583	$ 328,027
Short-term investments	229,918	448,188
Accounts receivable	728,364	664,010
Derivative financial assets	36,361	56,428
Restricted cash and cash equivalents	128,837	75,812
Investments - amortized cost	53,691	-
Investments - at fair value through profit or loss	1,202,193	1,210,830
Investments - loans and receivables	18,908	19,294
	$ 2,810,855	$ 2,802,589

The allowance for doubtful accounts, which provides an indication of potential impairment losses, is reviewed quarterly based on an analysis of the aging of accounts receivable and an estimate of outstanding amounts that are considered to be uncollectible. Historically, the Corporation has not written off a significant portion of its accounts receivable balances.

The allowance for doubtful accounts and the aging of accounts receivable are detailed as follows (thousands of dollars):

Allowance for doubtful accounts	2013	2012
Opening balance	$ 18,220	$ 17,110
Less: Accounts written off and other	(18,133)	(17,720)
Recoveries	7,313	5,532
Provision for losses	9,783	13,298
Ending balance	$ 17,183	$ 18,220
Accounts receivable		
Current	$ 628,936	$ 540,323
30-59 Days	31,973	23,351
60-89 Days	59,822	95,320
Greater than 90 Days	24,816	23,236
Gross accounts receivable	745,547	682,230
Allowance for doubtful accounts	(17,183)	(18,220)
Net accounts receivable	$ 728,364	$ 664,010

8. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

e) Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due. CIC is a provincial Crown corporation and as such has access to capital markets through the Saskatchewan Ministry of Finance. The Corporation, through its diversified holdings and capital allocation and dividend policies, can allocate resources to ensure that all financial commitments made are met.

Where necessary the Corporation can borrow funds from the GRF, adjust dividend rates, obtain or make grants, or be provided with or provide equity injections to solve any liquidity issues.

The following summarizes the contractual maturities of the Corporation's financial liabilities at December 31, 2013 (thousands of dollars):

		Contractual Cash Flows					
	Carrying Amount	Total	0-6 Months	7-12 Months	1-2 Years	3-5 Years	More than 5 Years
Long-term debt[1]	$ 5,162,244	$ 9,819,605	$ 139,352	$ 146,134	$ 339,347	$ 1,251,609	$ 7,943,163
Trade and other payables	838,231	838,231	838,231	-	-	-	-
Derivative financial liabilities[2]	102,157	129,709	75,762	53,947	-	-	-
Other liabilities[3]	1,928,605	1,929,808	1,638,730	64,489	63,010	97,894	65,685
	$ 8,031,237	$12,717,353	$ 2,692,075	$ 264,570	$ 402,357	$ 1,349,503	$ 8,008,848

The Corporation anticipates generating sufficient cash flows through operations or credit facilities to support these contractual cash flows.

[1] Contractual cash flows for long-term debt include principal and interest payments, but exclude sinking fund installments.
[2] The terms and conditions of certain derivative financial instrument contracts require the Corporation to provide collateral when the fair value of the obligation pursuant to these contracts is in excess of credit limits granted. As at December 31, 2013, the Corporation has provided no collateral for these contracts.
[3] Other liabilities include: bank indebtedness, notes payable, provision for unpaid insurance claims (Note 19), amounts due to reinsurers (Note 18) and premium taxes payable (Note 18).

Insurance risk management

Insurance risk arises with respect to the adequacy of the Corporation's insurance premium rates and provision for unpaid claims (consisting of underwriting and actuarial risks).

f) Underwriting risk

The Corporation manages its insurance risk though its underwriting and reinsurance strategies within an overall strategic planning process. Pricing is based on assumptions with regard to past experiences and trends. Exposures are managed by having documented underwriting limits and criteria, product and geographic diversification and reinsurance.

i) Diversification

The Corporation writes property, liability and motor risks over a twelve-month period. The most significant risks arise from weather-related events such as severe storms. The Corporation attempts to mitigate risk by conducting business in a number of provinces across Canada and by offering different lines of insurance products.

8. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Insurance risk management *(continued)*

f) Underwriting risk *(continued)*

i) Diversification *(continued)*

The concentration of insurance risk by line of business is summarized below by reference to the provision for unpaid insurance claim liabilities (Note 19) (thousands of dollars):

	Gross		Reinsurance Recoverable		Net	
	2013	2012	**2013**	2012	**2013**	2012
Automobile	**$ 209,811**	$ 193,784	**$ 10,849**	$ 20,357	**$ 198,962**	$ 173,427
Property	**129,016**	88,040	**19,735**	19,317	**109,281**	68,723
Liability	**54,720**	59,274	**3,441**	3,910	**51,279**	55,364
Assumed	**7,689**	7,740	**-**	-	**7,689**	7,740
Discount	**13,141**	14,295	**1,599**	1,917	**11,542**	12,378
Other	**6,376**	6,004	**-**	-	**6,376**	6,004
	$ 420,753	$ 369,137	**$ 35,624**	$ 45,501	**$ 385,129**	$ 323,636

	Gross		Reinsurance Recoverable		Net	
	2013	2012	**2013**	2012	**2013**	2012
Saskatchewan	**$ 221,117**	$ 191,040	**$ 14,577**	$ 20,365	**$ 206,540**	$ 170,675
Ontario	**122,939**	120,549	**13,687**	19,923	**109,252**	100,626
Alberta	**49,002**	31,906	**5,946**	4,341	**43,056**	27,565
Maritimes	**21,565**	18,812	**600**	290	**20,965**	18,522
Manitoba	**6,130**	6,830	**814**	582	**5,316**	6,248
	$ 420,753	$ 369,137	**$ 35,624**	$ 45,501	**$ 385,129**	$ 323,636

The concentration of insurance risk by region and line of business is summarized below by reference to gross premiums written (thousands of dollars):

2013	Automobile	Personal Property	Commercial Property	Liability	Total
Saskatchewan	**$ 145,303**	**$ 174,699**	**$ 44,187**	**$ 35,606**	**$ 399,795**
Manitoba	**-**	**10,318**	**4,079**	**2,659**	**17,056**
Alberta	**36,983**	**13,006**	**4,255**	**4,790**	**59,034**
Ontario	**44,160**	**6,695**	**3,925**	**2,669**	**57,449**
Maritimes	**17,129**	**3,883**	**3,090**	**1,959**	**26,061**
Total	**$ 243,575**	**$ 208,601**	**$ 59,536**	**$ 47,683**	**$ 559,395**

2012	Automobile	Personal Property	Commercial Property	Liability	Total
Saskatchewan	$ 135,235	$ 164,827	$ 43,029	$ 35,980	$ 379,071
Manitoba	-	10,888	3,822	2,561	17,271
Alberta	29,797	10,070	3,438	4,232	47,537
Ontario	48,217	7,892	3,398	2,568	62,075
Maritimes	16,506	4,062	2,819	1,774	25,161
Total	$ 229,755	$ 197,739	$ 56,506	$ 47,115	$ 531,115

8. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Insurance risk management *(continued)*

f) Underwriting risk *(continued)*

ii) Reinsurance

The Corporation seeks to reduce losses that may arise from catastrophes or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers. The Corporation evaluates and monitors the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvency. The policy of underwriting and reinsuring insurance contracts limits the liability of the Corporation to a maximum amount for any one loss as follows (thousands of dollars):

	2013	2012
Dwelling and farm property	$ 750	$ 750
Unlicenced vehicles	750	750
Commercial property	1,000	1,000
Automobile and general liability	1,500	1,500
(subject to filling an annual aggregate deductible of)	1,500	1,500
Property catastrophe (health care)	7,500	7,500
Property catastrophe (non-health care)	12,500	10,000

iii) Structured settlements

The Corporation settles some long-term disability claims by purchasing annuities from various financial institutions. The settlements legally release the Corporation from its obligations to the claimants. Consequently, neither the annuities purchased nor the claim liabilities are recognized on the Consolidated Statement of Financial Position. However, as part of the settlement, the Corporation provides a financial guarantee to the claimants in the event the life insurers default on the scheduled payments and is thus exposed to credit risk to the extent any of the life insurers fail to fulfil their obligations. As at December 31, 2013, no information has come to the Corporation's attention that would suggest any weakness or failure in the life insurers from which it has purchased annuities. The net present value of the scheduled payments is $58.2 million (2012 - $57.9 million). The net risk to the Corporation is the credit risk related to the life insurance companies that the annuities are purchased from. This risk is reduced to the extent of coverage provided by Assuris, the life insurance compensation plan. No defaults have occurred, and the Corporation considers the possibility of default to be remote.

g) Actuarial risk

The establishment of the provision for unpaid insurance claims (Note 19) is based on known facts and an interpretation of circumstances and is therefore a complex process influenced by a variety of factors. Measurement of the provision is uncertain due to claims that are not reported to the Corporation at year end and therefore estimates are made as to the value of these claims. As well, uncertainty exists regarding the cost of reported claims that have not been settled, as all the necessary information may not be available at year end.

The significant assumptions used to estimate the provision include: the Corporation's experience with similar cases, historical claim payment trends and claim development patterns, the characteristics of each class of business, claim severity and claim frequency, the effect of inflation on future claim settlement costs, court decisions and economic conditions. Time is also a critical factor in determining the provision, since the longer it takes to settle and pay a claim, the more variable the ultimate settlement amount will be. Accordingly, short-tail claims such as physical damage or collision claims tend to be more reasonably predictable than long-tail claims such as liability claims.

As a result, the establishment of the provision for unpaid claims relies on a number of factors, which necessarily involves risk that the actual results may differ materially from the estimates.

8. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Insurance risk management *(continued)*

g) Actuarial risk *(continued)*

The following summarizes the Corporation's sensitivity to changes in best estimate assumptions on the provision for unpaid claims and net earnings (thousands of dollars):

Assumption	Sensitivity	Change to Net Provision for Unpaid Claims 2013	Change to Net Provision for Unpaid Claims 2012	Change to Net Earnings 2013	Change to Net Earnings 2012
Discount rate	1.0 per cent	(9,172)	(8,840)	(5,174)	(3,015)
Discount rate	1.0 per cent	9,172	8,840	5,174	3,015
Net loss ratio	10.0 per cent	52,544	50,623	(52,544)	(50,623)
Mis-estimate	1.0 per cent deficiency	3,675	3,058	(3,675)	(3,058)

The net provision for unpaid insurance claims refers to the provision for unpaid insurance claims net of unpaid insurance claims recoverable from reinsurers. The method used for deriving this sensitivity information did not change from the prior year.

h) Securities lending program

Through its custodian, the Corporation participates in an investment securities lending program for the purpose of generating fee income. When securities are loaned, the Corporation is exposed to counterparty risk, which is the risk that the borrower will not return the loaned securities, or if the collateral is liquidated, it may be for less than the value of the loan. The Corporation mitigates this risk through non-cash collateral and a guarantee provided by its custodian. Non-cash collateral of at least 102.0 per cent of the market value of the loaned securities is retained by the Corporation until the loaned securities have been returned. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates. In addition, the custodian provides indemnification against any potential losses in the securities lending program. While in the possession of counterparties, the loaned securities may be resold or re-pledged by such counterparties.

At December 31, 2013, the Corporation held collateral of $149.6 million (2012 - $79.5 million) for the loaned securities.

9. RESTRICTED CASH AND CASH EQUIVALENTS

The Corporation holds the following cash and cash equivalents restricted for use (thousands of dollars):

	2013 Current	2013 Non-Current	2012 Current	2012 Non-Current
Meadow Lake Pulp Limited Partnership (a)	$ 483	$ 4,823	$ 7,680	$ 4,872
Immigrant investor funds (b)	123,531	-	62,010	-
Funds held in escrow	-	-	1,250	-
	$ 124,014	$ 4,823	$ 70,940	$ 4,872

a) Cash held by the receiver of Meadow Lake Pulp Limited Partnership which is subject to an order of the Court of Queen's Bench of Saskatchewan.

b) Immigrant investor funds are provided through the IIP. The funds are restricted for use in Saskatchewan's HeadStart on a Home program.

10. INVENTORIES

(thousands of dollars)

	2013	2012
Raw materials	$ 172,363	$ 153,172
Natural gas in storage held-for-resale	222,880	249,297
Finished goods	12,646	7,175
Work-in-progress	4,541	2,018
	$ 412,430	$ 411,662

For the year ended December 31, 2013, $679.0 million (2012 - $576.4 million) of natural gas in storage held-for-resale, and $414.1 million (2012 - $423.0 million) of raw materials inventory and other inventory were consumed. The Corporation incurred a $2.6 million (2012 - $1.5 million) write-down of other inventory to its net realizable value. There was a $15.6 million (2012 - $24.3 million) reversal of natural gas in storage held-for-resale write-downs made in prior years.

As at December 31, 2013, the Corporation expects that $132.5 million (2012 - $123.6 million) of the current value of natural gas in storage held-for-resale will be sold or consumed within the next year and $90.4 million (2012 - $125.7 million) after more than one year. All other inventory is expected to be consumed within the next year.

11. DISCONTINUED OPERATIONS AND ASSETS HELD-FOR-SALE

In September 2013, the Corporation committed to sell several natural gas storage assets within the next 12-month period. Accordingly, these assets have been classified as assets held-for-sale. These assets are measured at carrying value, which is less than fair value less cost to sell, and are no longer depreciated.

At the end of 2013, the Corporation committed to a plan to sell the distribution assets of its subsidiary, Swan Valley Gas Corporation, within the next 12-month period. Accordingly, these assets have been classified as assets held-for-sale. These assets are measured at estimated fair value less costs to sell, which was less than the carrying amount of the assets, and are no longer depreciated. The resulting impairment loss was recorded immediately in net earnings.

Assets held-for-sale consist of the following (thousands of dollars):

	2013
Property, plant and equipment	$ 6,362
Amounts written down on transfer	(1,808)
	$ 4,554

Liabilities held-for-sale consist of the following (thousands of dollars):

	2013
Decommissioning provision	$ 57

Pursuant to *The Information Services Corporation Act*, effective May 30, 2013, ISC ceased being a subsidiary Crown Corporation under *The Crown Corporations Act, 1993*, and was continued under *The Business Corporations Act (Saskatchewan)*. Until July 9, 2013, the Corporation continued to control ISC through ownership of 100.0 per cent of the 17,500,000 outstanding Class A Limited Voting Shares and therefore ISC operations were consolidated to that date.

11. DISCONTINUED OPERATIONS AND ASSETS HELD-FOR-SALE *(continued)*

Effective July 9, 2013 and pursuant to an Initial Public Offering (IPO) on the Toronto Stock Exchange, the Corporation sold 10,500,000 of the Class A Limited Voting Shares of ISC at $14.00 per share. Effective July 17, 2013, and pursuant to an over-allotment option included in the IPO, the Corporation sold a further 1,575,000 Class A Limited Voting Shares of ISC at $14.00 per share. As a result of these transactions, the Corporation no longer controls ISC, and initially recorded the remaining 5,425,000 Class A Limited Voting Shares as an investment in equity accounted investees on the Consolidated Statement of Financial Position at a fair market value of $14.00 per share or $76.0 million. This investment is subsequently accounted for using the equity method of accounting. On a combined basis, these transactions resulted in the sale of 69.0 per cent of the Corporation's interest in ISC for net proceeds of $156.2 million and a gain on sale of $211.8 million.

As a result of the above, ISC is considered a discontinued operation with impacts on consolidated net earnings as follows (thousands of dollars):

	2013	2012
Revenue	$ 39,333	$ 77,320
Operating expenses	9,371	19,671
Salaries, wages and short-term employee benefits	12,138	23,272
Employee future benefits	759	1,516
Depreciation and amortization	3,073	7,639
Loss on disposal of property, plant and equipment	-	510
Research and development	4,346	3,557
	29,687	56,165
Results from operating activities	9,646	21,155
Finance income	116	212
Finance expenses	(57)	(127)
Net finance income	59	85
Net earnings from discontinued operations	9,705	21,240
Gain on sale of discontinued operations	211,833	-
Gain from discontinued operations	$ 221,538	$ 21,240
Net cash from operating activities	$ (5,125)	$ 48,496
Net cash used in investing activities	(1,554)	(7,479)
Net cash used in financing activities	(14,459)	(19,991)
Net change in cash and cash equivalents	$ (21,138)	$ 21,026

12. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

(thousands of dollars)

	Principal Place of Business	Reporting Date	Ownership Interest 2013	Ownership Interest 2012	Carrying Value 2013	Carrying Value 2012
Associates and joint ventures						
ISC (a)	Canada	December 31	31.0%	-	$ 95,829	$ -
ML OSB Partnership (b)	Canada	December 31	-	25.0%	-	22,134
MRM Cogeneration Station (c)	Canada	December 31	30.0%	30.0%	39,859	37,279
Jump.ca (d)	Canada	March 31	-	27.4%	-	10,425
Other					8,176	16,076
					$ 143,864	$ 85,914

	2013	2012
Current assets	$ 78,344	$ 93,659
Non-current assets	365,633	371,164
Current liabilities	(63,081)	(88,543)
Non-current liabilities	(56,827)	(75,041)
Net assets	324,069	301,239
Interest owned by other entities	(180,205)	(215,325)
Share of net assets	$ 143,864	$ 85,914

	2013	2012
Revenue	$ 244,680	$ 420,407
Expenses	(145,681)	(387,544)
Earnings from continuing operations	98,999	32,863
Other comprehensive income	12	(1,749)
Total comprehensive income	99,011	31,114
Interest owned by other entities	(70,635)	(18,597)
Share of results	$ 28,376	$ 12,517

a) As described in Note 11, the Corporation is associated with ISC, which provides registry and information services in Saskatchewan. The fair value of ISC shares was $93.6 million at December 31, 2013.

b) The Corporation was a limited partner in Meadow Lake OSB Limited Partnership (ML OSB). ML OSB operates an oriented strand board facility near Meadow Lake, Saskatchewan. On November 7, 2013, the Corporation sold its ownership interest in MLOSB for net proceeds of $30.0 million recording a gain on sale of $8.9 million.

c) The MRM Cogeneration Station is a 172 megawatt (MW) natural gas-fired cogeneration facility located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta.

d) The Corporation was associated with Jump.ca Wireless Supply Corp. which operates a cellular marketing and distribution business in Saskatchewan. On December 20, 2013 the Corporation sold its interest in Jump.ca for proceeds of $7.2 million recording a loss on sale of $3.3 million.

13. PROPERTY, PLANT AND EQUIPMENT

(thousands of dollars)

	Machinery and Equipment	Buildings and Improvements	Plant Under Construction	Land, Coal Properties and Rights (a)	Finance Leases	Total
Cost						
Balance at January 1, 2012	$ 12,446,016	$ 1,401,339	$ 631,983	$ 176,883	$ 541,954	$ 15,198,175
Additions	920,497	99,706	1,374,553	15,397	-	2,410,153
Disposals	(99,966)	(1,606)	(4)	(155)	-	(101,731)
Transfers from plant under construction	-	-	(970,305)	-	-	(970,305)
Balance at December 31, 2012	13,266,547	1,499,439	1,036,227	192,125	541,954	16,536,292
Additions	**887,168**	**65,919**	**1,783,962**	**12,763**	**700,000**	**3,449,812**
Disposals	**(200,243)**	**(534)**	**-**	**(894)**	**-**	**(201,671)**
Transfer to discontinued operations and assets held-for-sale	**(15,301)**	**(8,427)**	**-**	**-**	**-**	**(23,728)**
Transfers from plant under construction	**-**	**-**	**(892,641)**	**-**	**-**	**(892,641)**
Balance at December 31, 2013	**$ 13,938,171**	**$ 1,556,397**	**$ 1,927,548**	**$ 203,994**	**$ 1,241,954**	**$ 18,868,064**

	Machinery and Equipment	Buildings and Improvements	Plant Under Construction	Land, Coal Properties and Rights (a)	Finance Leases	Total
Accumulated Depreciation						
Balance at January 1, 2012	$ 6,214,505	$ 554,111	$ -	$ 28,846	$ 161,384	$ 6,958,846
Depreciation expense	473,522	44,896	-	2,108	21,817	542,343
Disposals	(75,738)	(1,389)	-	(17)	-	(77,144)
Balance at December 31, 2012	6,612,289	597,618	-	30,937	183,201	7,424,045
Depreciation expense	**501,340**	**38,304**	**-**	**1,581**	**42,234**	**583,459**
Impairment losses	**-**	**77**	**-**	**-**	**-**	**77**
Other adjustments	**-**	**-**	**-**	**324**	**-**	**324**
Transfers to discontinued operations and assets held-for-sale	**(7,097)**	**(3,291)**	**-**	**-**	**-**	**(10,388)**
Disposals	**(171,997)**	**(401)**	**-**	**(304)**	**-**	**(172,702)**
Balance at December 31, 2013	**$ 6,934,535**	**$ 632,307**	**$ -**	**$ 32,538**	**$ 225,435**	**$ 7,824,815**
Carrying Amounts						
At December 31, 2012	$ 6,654,258	$ 901,821	$ 1,036,227	$ 161,188	$ 358,753	$ 9,112,247
At December 31, 2013	**$ 7,003,636**	**$ 924,090**	**$ 1,927,548**	**$ 171,456**	**$ 1,016,519**	**$ 11,043,249**

a) Included in land, coal properties, and rights additions for 2013 is 145 acres of land purchased from the Global Transportation Hub Authority, a related party, at a cost of $24.8 million. The land will be used to build a new logistics warehouse complex.

14. INVESTMENT PROPERTY

(thousands of dollars)

	Buildings	Infrastructure	Leasehold Improvements	Plant Under Construction	Total
Cost					
Balance at January 1, 2012	$ 174,204	$ 53,736	$ 6,728	$ 5,087	$ 239,755
Additions	4,229	6,739	807	-	11,775
Transfers	-	-	-	(3,498)	(3,498)
Disposals	(745)	-	-	-	(745)
Balance at December 31, 2012	177,688	60,475	7,535	1,589	247,287
Additions	**2,534**	**1,174**	**762**	**479**	**4,949**
Transfers	-	-	-	-	-
Disposals	**(617)**	**(1)**	**(5)**	-	**(623)**
Balance at December 31, 2013	**$ 179,605**	**$ 61,648**	**$ 8,292**	**$ 2,068**	**$ 251,613**
Accumulated Depreciation and Impairment Losses					
Balance at January 1, 2012	$ 45,860	$ 13,082	$ 5,333	$ 691	$ 64,966
Depreciation expense	5,290	1,420	662	-	7,372
Disposals	(745)	-	-	-	(745)
Balance at December 31, 2012	50,405	14,502	5,995	691	71,593
Depreciation expense	**5,351**	**1,588**	**576**	-	**7,515**
Disposals	**(617)**	**(1)**	**(5)**	-	**(623)**
Balance at December 31, 2013	**$ 55,139**	**$ 16,089**	**$ 6,566**	**$ 691**	**$ 78,485**
Carrying Amounts					
At December 31, 2012	$ 127,283	$ 45,973	$ 1,540	$ 898	$ 175,694
At December 31, 2013	**$ 124,466**	**$ 45,559**	**$ 1,726**	**$ 1,377**	**$ 173,128**

The aggregate fair value of investment properties at December 31, 2013 was $322.0 million (2012 - $315.0 million). The market value is based on internally-generated estimates of cash flows of individual properties using capitalization rates in the range of 7.0 per cent to 10.0 per cent applied based on property type and market characteristics which resulted in an overall weighted average capitalization rate of 7.2 per cent.

The market estimate is considered level 3 as the majority of inputs are not based on observable market data.

	2013	2012
Rental income from investment properties	**$ 40,094**	$ 38,762
Direct operating expenses from property that generated rental income during the year	**(29,609)**	(27,900)
	$ 10,485	$ 10,862

15. INTANGIBLE ASSETS
(thousands of dollars)

	Goodwill	Software and Development Costs	Customer Accounts	Indefinite Life (a)	Other	Total
Cost						
Balance at January 1, 2012	$ 6,457	$ 476,005	$ 62,099	$ 65,981	$ 2,025	$ 612,567
Acquisitions - internally developed	-	27,609	-	-	-	27,609
Disposals	-	(658)	-	-	(525)	(1,183)
Acquisitions - other	-	77,482	5,440	-	-	82,922
Balance at December 31, 2012	6,457	580,438	67,539	65,981	1,500	721,915
Acquisitions - internally developed	**-**	**64,939**	**-**	**-**	**-**	**64,939**
Disposals	**-**	**(11,768)**	**-**	**-**	**-**	**(11,768)**
Transfers to discontinued operations and assets held-for-sale	**-**	**(90,076)**	**-**	**-**	**-**	**(90,076)**
Transfers	**-**	**(38,213)**	**-**	**-**	**-**	**(38,213)**
Acquisitions - other	**-**	**86,351**	**13,485**	**-**	**-**	**99,836**
Balance at December 31, 2013	**$ 6,457**	**$ 591,671**	**$ 81,024**	**$ 65,981**	**$ 1,500**	**$746,633**
Accumulated Amortization						
Balance at January 1, 2012	$ -	$ 301,598	$ 38,501	$ -	$ 1,539	$ 341,638
Amortization expense	-	46,835	4,650	-	486	51,971
Disposals	-	(331)	-	-	(525)	(856)
Other	-	631	-	-	-	631
Balance at December 31, 2012	-	348,733	43,151	-	1,500	393,384
Impairment loss	**481**	**-**	**-**	**-**	**-**	**481**
Amortization expense	**-**	**47,773**	**4,299**	**-**	**-**	**52,072**
Transfers to discontinued operations and assets held-for-sale	**-**	**(74,596)**	**-**	**-**	**-**	**(74,596)**
Disposals	**-**	**(8,529)**	**-**	**-**	**-**	**(8,529)**
Balance at December 31, 2013	**$ 481**	**$ 313,381**	**$ 47,450**	**$ -**	**$ 1,500**	**$362,812**
Carrying Amounts						
At December 31, 2012	$ 6,457	$ 231,705	$ 24,388	$ 65,981	$ -	$ 328,531
At December 31, 2013	**$ 5,976**	**$ 278,290**	**$ 33,574**	**$ 65,981**	**$ -**	**$383,821**

a) Pursuant to Order in Council 319/2013, dated June 16, 2013, the Corporation transferred intangible assets to the GRF at a net book value of $2.8 million.

15. INTANGIBLE ASSETS *(continued)*

b) For the purpose of impairment testing, indefinite-life intangible assets (spectrum licences) are allocated to SaskTel. This is the lowest level within the Corporation at which indefinite-life intangible assets are monitored for internal management purposes, which is not higher than the Corporation's operating segments. The Corporation's CGU impairment tests were based on fair value less costs to sell using comparable companies that are listed on exchanges and are actively traded. Share prices for these companies were used to derive an Enterprise Value (EV) to earnings before interest, taxes, depreciation, and amortization (EBITDA) ratio that was applied to the EBITDA of the unit to determine the recoverable amount. The Corporation applied an industry average EV to EBITDA ratio adjusted for minority discounts associated with publicly traded shares to the EBITDA of the unit to estimate the recoverable amount of the unit. Impairment tests indicated no impairment at December 31, 2013 or December 31, 2012.

16. OTHER ASSETS

(thousands of dollars)

	2013	2012
Deferred supply agreements	$ 3,626	$ 5,438
Deferred telecommunication connection charges	5,355	5,567
Telecommunications prepaid customer incentives	1,867	3,664
Other deferred charges	7,502	8,940
	$ 18,350	$ 23,609

17. NOTES PAYABLE

Notes payable are due to the GRF. These notes are due on demand and have an effective interest rate of 1.50 per cent (2012 - 1.03 per cent).

18. DEFERRED REVENUE

(thousands of dollars)

	2013	2012
Unearned insurance premiums	$ 291,087	$ 275,410
Customer contributions	86,022	61,876
Services billed in advance	46,308	51,152
Premium taxes payable	21,886	20,505
Amounts due to reinsurers	9,702	9,250
Other deferred revenue	22,146	18,940
	$ 477,151	$ 437,133

19. PROVISIONS

(thousands of dollars)

	Decommissioning Provisions (a)	Environmental Remediation (b)	Unpaid Insurance Claims (c) and Note 8(f)	Other Provisions	Total
Balance at January 1, 2013	**$ 138,885**	**$ 104,866**	**$ 369,137**	**$ 2,440**	**$ 615,328**
Provision for decommissioning and environmental remediation liabilities	**12,339**	**(217)**	**-**	**-**	**12,122**
Other provisions made	**52,302**	**-**	**336,462**	**-**	**388,764**
Provisions used	**(3,491)**	**(49)**	**(284,846)**	**(561)**	**(288,947)**
Provisions reversed	**(18,276)**	**-**	**-**	**(370)**	**(18,646)**
Accretion expense	**5,840**	**1,333**	**-**	**147**	**7,320**
Transferred to discontinued operations and assets held-for-sale	**(57)**	**-**	**-**	**-**	**(57)**
Balance at December 31, 2013	**$ 187,542**	**$ 105,933**	**$ 420,753**	**$ 1,656**	**$ 715,884**
Current	**$ -**	**$ -**	**$ 194,164**	**$ 124**	**$ 194,288**
Non-current	**$ 187,542**	**$ 105,933**	**$ 226,589**	**$ 1,532**	**$ 521,596**

	Decommissioning Provisions (a)	Environmental Remediation (b)	Unpaid Insurance Claims (c) and Note 8(f)	Other Provisions	Total
Balance at January 1, 2012	$ 127,443	$ 99,838	$ 374,059	$ 2,746	$ 604,086
Provision for decommissioning and environmental remediation liabilities	2,065	912	-	-	2,977
Other provisions made	5,989	-	265,047	78	271,114
Provisions used	(745)	(28)	(269,969)	(542)	(271,284)
Accretion expense	4,133	4,144	-	158	8,435
Balance at December 31, 2012	$ 138,885	$ 104,866	$ 369,137	$ 2,440	$ 615,328
Current	$ -	$ -	$ 150,517	$ 128	$ 150,645
Non-current	$ 138,885	$ 104,866	$ 218,620	$ 2,312	$ 464,683

a) Decommissioning provisions

The Corporation has estimated the future cost of decommissioning certain electrical and natural gas facilities. For the purposes of estimating the fair value of these obligations, it is assumed that these costs will be incurred between 2014 and 2109 for natural gas facilities and 2014 and 2043 for electrical facilities. The undiscounted cash flows required to settle the obligations total $488.8 million (2012 - $282.0 million). Risk-free rates between 1.30 per cent and 4.06 per cent were used to calculate the discounted carrying value of the obligation. During 2013, the Corporation recorded an additional $12.3 million provision (2012 - $2.1 million) for decommissioning and environmental remediation to settle this liability. No funds have been set aside by the Corporation to settle this liability.

19. PROVISIONS *(continued)*

a) Decommissioning provisions *(continued)*

The following summarizes the Corporation's sensitivity to changes in best estimate assumptions on 2013 decommissioning provisions (thousands of dollars):

	Undiscounted cash flows	Discounted cash flows	Discounted rate + 0.5%	Discounted rate - 0.5%	Inflation rate + 0.5%	Inflation rate -0.5%
Decommissioning	$ 488,771	$ 187,542	$ (18,291)	$ 19,453	$ 21,183	$ (19,735)

b) Environmental remediation

The following are included in the provision for environmental remediation:

i) The Corporation is committed to undertake necessary environmental clean-up activities on certain properties. Due to evolving environmental laws, enforcement and clean-up practices, it is not possible at this time to determine the full amount of these liabilities. Based on external studies on the site, the Corporation has recorded a total provision of $10.5 million (2012 - $10.4 million) to carry out the clean-up activities and associated costs related to an indemnity provided by Prince Albert Pulp Company (PAPCO) and the Province of Saskatchewan for environmental remediation liabilities predating 1986 related to the Prince Albert pulp mill site no longer owned by the Corporation. The timing to complete this remediation is indeterminable at this time.

ii) Based on external studies completed on the site, the Corporation has recorded a total provision of $53.5 million (2012 - $53.0 million), to carry out the clean-up activities related to an indemnity provided by PAPCO and the Province of Saskatchewan for environmental remediation liabilities predating 1986 relating to the ERCO Chemical Plant. The timing to complete this remediation is indeterminable at this time.

iii) The Corporation has recorded a total provision of $0.3 million (2012 - $0.4 million) for estimated clean-up activities related to an obligation of Meadow Lake Pulp Limited Partnership as a result of the sale of its assets. These funds are held in trust according to court order, and are to be applied against continued site monitoring expenses through to January 2017, at which time residual amounts may be utilized to conduct a human health and ecological assessment or for specific site remediation according to the landfill closure plan.

iv) During 2013, the Corporation recorded a recovery of $0.2 million (2012 - provision of $0.9 million) for environmental remediation related to estimated environmental remediation for its electrical generation assets. The total provision for these facilities at December 31, 2013 is $41.6 million (2012 - $41.1 million). The Corporation estimates the undiscounted amount of cash flows required for this remediation is approximately $42.6 million, which will be incurred by 2015 (2012 - $42.6 million to be incurred by 2015). A rate, based on the Government of Saskatchewan 5-year bond yield, of 2.32 per cent (2012 - 1.79 per cent) was used to calculate the carrying value of this provision. No funds have been set aside by the Corporation to settle these liabilities.

19. PROVISIONS *(continued)*

b) Environmental remediation *(continued)*

The following summarizes the Corporation's sensitivity to changes in best estimate assumptions on this environmental remediation provision (thousands of dollars):

	Undiscounted cash flows	Discounted cash flows	Discounted rate + 0.5%	Discounted rate - 0.5%	Inflation rate + 0.5%	Inflation rate -0.5%
Environmental remediation	$ 42,584	$ 41,618	$ (202)	$ 204	$ -	$ -

c) Unpaid insurance claims

The provision for unpaid insurance claims has been calculated including the impact of discounting using a discount rate of 2.27 per cent (2012 - 1.97 per cent).

20. FINANCE AND OPERATING LEASES

(thousands of dollars)

	2013	2012
Total future minimum lease payments	$ 3,543,677	$ 1,124,909
Less: future finance charges on finance leases	(2,399,198)	(682,539)
Present value of finance lease obligations	1,144,479	442,370
Less: current portion of finance lease obligations	(7,341)	(5,680)
Finance lease obligations	$ 1,137,138	$ 436,690

As at December 31, 2013, scheduled future minimum lease payments and the present value of finance lease obligations are as follows:

	1 year	1-5 years	More than 5 years
Future minimum lease payments	$ 165,062	$ 695,093	$ 2,683,522
Present value of finance lease obligations	7,341	49,178	1,087,712

Future minimum lease payments for operating leases entered into by the Corporation, as lessee, are as follows:

	1 year	1-5 years	More than 5 years
Future minimum lease payments	$ 9,579	$ 25,394	$ 14,145

21. LONG-TERM DEBT
(thousands of dollars)

	2013 Principal Outstanding	2013 Effective Interest Rate	2012 Principal Outstanding	2012 Effective Interest Rate
Years to Maturity				
A. General Revenue Fund				
1 - 5 years	$ 377,619	3.69	$ 424,766	5.28
6 - 10 years	982,182	8.71	987,182	8.69
11 - 15 years	228,800	7.72	228,800	7.72
16 - 20 years	829,000	5.97	529,000	6.10
21 - 25 years	648,684	5.14	925,000	5.35
26 - 30 years	1,438,000	4.02	1,261,684	4.11
Beyond 30 years	400,000	3.97	-	-
Total due to GRF	4,904,285		4,356,432	
B. Other long-term debt (due 2014 to 2044)	241,815	3.84	176,031	4.81
	5,146,100		4,532,463	
Unamortized debt premium	16,144		27,956	
	5,162,244		4,560,419	
Due within one year	(61,994)		(157,701)	
Total long-term debt	$ 5,100,250		$ 4,402,718	

Principal repayments due in each of the next five years are as follows:

2014	$ 61,994
2015	65,348
2016	241,860
2017	124,065
2018	78,104

There is a requirement attached to certain interest-bearing issues from the GRF to make annual payments into sinking funds in amounts representing 1.0 per cent to 3.0 per cent of the original issue. The cumulative annual payments plus interest earned are used for the retirement of debt issues, upon maturity, with the GRF on a net basis.

22. EMPLOYEE FUTURE BENEFITS

Defined benefit pension plans

The Corporation has three defined benefit pension plans for certain of its employees that have been closed to new membership. Annual audited financial statements for each plan are prepared and released publicly.

The actuarial valuations include a provision for uncommitted and ad hoc benefit increases, and are measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimate, therefore, involves risks that the actual amount may differ materially from the estimate.

22. EMPLOYEE FUTURE BENEFITS *(continued)*

Defined benefit pension plans *(continued)*

The major assumptions used in the valuation of the defined benefit pension plans are as follows:

	2013		
	SaskTel	SGI	SaskPower
Economic Assumptions			
Discount rate - end of year	4.6%	4.3%	4.5%
Inflation rate	2.5%	2.5%	2.0%
Expected salary increase	3.0%	2.5%	2.0%
Duration (years)	11	9	10
Post-retirement index	100% of CPI up to 2%	0% of CPI	70% of CPI
Last actuarial valuation	12/31/10	12/31/10	12/31/13[1]

	2012		
	SaskTel	SGI	SaskPower
Economic Assumptions			
Discount rate - end of year	3.8%	3.6%	3.8%
Inflation rate	2.5%	2.5%	2.5%
Expected salary increase	3.0%	2.5%	2.0%
Duration	12	10	11
Post-retirement index	100% of CPI	0% of CPI	70% of CPI
Last actuarial valuation	12/31/10	12/31/10	12/31/12[1]

The actuarial assumptions are based on management's expectations, independent actuarial advice and guidance provided by IFRS. The most significant assumption is the discount rate which is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the obligations.

[1] The measurement date of the actuarial valuation used to determine SaskPower's defined benefit pension plan assets and obligations was September 30 and the results were extrapolated to December 31 for each year presented.

Sensitivity analysis on defined benefit pension plan assumptions

The following illustrates the impact on the 2013 defined benefit pension obligation from a 1.0 per cent change in an actuarial assumption while holding all other assumptions constant (thousands of dollars):

	SaskTel		SGI		SaskPower	
	Increase	(Decrease)	Increase	(Decrease)	Increase	(Decrease)
Discount rate	$ (104,284)	$ 125,717	$ (2,886)	$ 3,453	$ (82,976)	$ 99,161
Inflation rate	(104,258)	57,408	(21)	28	(23,699)	25,300
Post retirement index	-	(119,606)	814	-	102,462	(86,792)

22. EMPLOYEE FUTURE BENEFITS *(continued)*

Defined benefit pension plans *(continued)*

Information about the Corporation's defined benefit pension plans is as follows (thousands of dollars):

	2013		
	SaskTel	SGI	SaskPower
Defined benefit pension plan obligation			
Defined benefit pension plan obligation, beginning of year	$ 1,180,920	$ 37,719	$ 1,036,007
Included in net earnings:			
Current service cost	351	67	50
Interest cost	43,563	1,309	37,709
	43,914	1,376	37,759
Included in OCI:			
Actuarial loss (gain) arising from:			
Financial assumptions	(98,825)	(2,110)	(111,295)
Experience adjustments	-	-	(7,900)
Demographic assumptions	-	1,440	-
	(98,825)	(670)	(119,195)
Benefits paid	(68,308)	(2,747)	(60,954)
Defined benefit pension plan obligation, end of year	$ 1,057,701	$ 35,678	$ 893,617

	2012		
	SaskTel	SGI	SaskPower
Defined benefit pension plan obligation			
Defined benefit pension plan obligation, beginning of year	$ 1,130,310	$ 37,307	$ 988,379
Included in net earnings:			
Current service cost	500	98	1,891
Interest cost	47,155	1,503	40,827
	47,655	1,601	42,718
Included in OCI:			
Actuarial loss (gain) arising from:			
Financial assumptions	70,654	1,841	55,239
Experience adjustments	-	20	8,752
Demographic assumptions	-	-	-
	70,654	1,861	63,991
Benefits paid	(67,699)	(3,050)	(59,081)
Defined benefit pension plan obligation, end of year	$ 1,180,920	$ 37,719	$ 1,036,007

On a combined basis, the impact of changes in actuarial gains and losses on defined benefit pension plans included in OCI is a gain of $218.7 million (2012 - loss of $136.5 million) (Note 30).

On a combined basis, interest cost for defined benefit pension plans recognized in finance expenses is $82.6 million (2012 - $89.5 million) (Note 30).

22. EMPLOYEE FUTURE BENEFITS *(continued)*
Defined benefit pension plans *(continued)*

	2013		
	SaskTel	SGI	SaskPower
Defined benefit pension plan assets			
Fair value of defined benefit pension plan assets, beginning of year	$ 939,153	$ 33,536	$ 746,000
Included in net earnings:			
Interest income	33,882	1,132	26,832
Included in OCI:			
Return on plan assets excluding interest income	78,391	1,096	78,711
Cash impacts:			
Employee funding contributions	-	17	3
Employer funding contributions	-	36	4
Benefits paid	(68,308)	(2,747)	(60,954)
	(68,308)	(2,694)	(60,947)
Fair value of defined benefit pension plan assets, end of year	$ 983,118	$ 33,070	$ 790,596
Funded status - plan deficit and net defined benefit pension obligation	$ (74,583)	$ (2,608)	$ (103,021)

	2012		
	SaskTel	SGI	SaskPower
Defined benefit pension plan assets			
Fair value of defined benefit pension plan assets, beginning of year	$ 914,283	$ 34,067	$ 726,561
Included in net earnings:			
Interest income	36,414	1,336	29,627
Included in OCI:			
Return on plan assets excluding interest income	55,983	1,062	48,739
Cash impacts:			
Employee funding contributions	39	27	104
Employer funding contributions	133	70	50
Benefits paid	(67,699)	(3,026)	(59,081)
	(67,527)	(2,929)	(58,927)
Fair value of defined benefit pension plan assets, end of year	$ 939,153	$ 33,536	$ 746,000
Funded status - plan deficit and net defined benefit pension obligation	$ (241,767)	$ (4,183)	$ (290,007)

22. EMPLOYEE FUTURE BENEFITS *(continued)*

Defined benefit pension plans *(continued)*

On a combined basis, the return on defined benefit pension plan assets (excluding interest income) included in OCI is $158.2 million (2012 - $105.7 million) (Note 30).

On a combined basis, interest income from defined benefit pension plans included in finance income is $61.8 million (2012 - $67.4 million) (Note 30).

The asset allocation of the defined benefit pension plans are as follows:

	2013		
	SaskTel	SGI	SaskPower
Asset category			
Short-term investments	**0.5%**	**1.0%**	**0.3%**
Bond and debentures	**27.5%**	**58.0%**	**31.5%**
Equity securities - Canadian	**15.4%**	**17.0%**	**17.2%**
Equity securities - US	**16.1%**	**12.0%**	**11.1%**
Equity securities - Non-North American	**27.1%**	**12.0%**	**28.4%**
Real estate	**13.4%**	**-**	**11.5%**

	2012		
	SaskTel	SGI	SaskPower
Asset category			
Short-term investments	1.2%	1.0%	0.4%
Bond and debentures	31.6%	60.0%	35.3%
Equity securities - Canadian	16.5%	16.0%	16.5%
Equity securities - US	14.3%	11.0%	8.7%
Equity securities - Non-North American	23.4%	12.0%	27.3%
Real estate	13.0%	0.0%	11.8%

Other benefit plans

Other benefit plans include a defined benefit and a defined contribution severance plan, a supplementary superannuation plan, two defined benefit service recognition plans, a defined benefit retiring allowance plan and a voluntary early retirement plan. All other defined benefit plans are unfunded.

22. EMPLOYEE FUTURE BENEFITS *(continued)*

Other benefit plans *(continued)*

Information about the Corporation's other defined benefit plans is as follows (thousands of dollars):

	2013				
	SaskTel	SGI	SaskPower	SaskEnergy	SaskWater
Other defined benefit plan obligation					
Other defined benefit plan obligation, beginning of year	$ 21,769	$ 21,765	$ 49,114	$ 12,215	$ 418
Included in net earnings:					
Current service cost	-	241	7,071	39	27
Interest cost	720	662	4,361	358	15
	720	903	11,432	397	42
Included in OCI:					
Actual loss (gain) arising from:					
Financial assumptions	-	-	(780)	(349)	(22)
Experience adjustments	-	(367)	415	-	4
Demographic assumptions	(337)	-	-	(401)	-
	(337)	(367)	(365)	(750)	(18)
Benefits paid	(1,166)	(2,089)	(10,730)	(1,423)	(16)
Other defined benefit plan obligation, end of year	$ 20,986	$ 20,212	$ 49,451	$ 10,439	$ 426

	2012				
	SaskTel	SGI	SaskPower	SaskEnergy	SaskWater
Other defined benefit plan obligation					
Other defined benefit plan obligation, beginning of year	$ 21,843	$ 21,238	$ 52,652	$ 13,180	$ 388
Included in net earnings:					
Current service cost	-	226	7,795	37	23
Interest cost	806	776	1,951	444	16
	806	1,002	9,746	481	39
Included in OCI:					
Actual loss (gain) arising from:					
Financial assumptions	-	-	(1,080)	277	14
Experience adjustments	-	762	620	-	7
Demographic assumptions	368	-	-	30	-
	368	762	(460)	307	21
Benefits paid	(1,248)	(1,237)	(12,824)	(1,753)	(30)
Other defined benefit plan obligation, end of year	$ 21,769	$ 21,765	$ 49,114	$ 12,215	$ 418

22. EMPLOYEE FUTURE BENEFITS *(continued)*

Other benefit plans *(continued)*

On a combined basis, interest cost for other defined benefit plans included in finance expenses is $6.1 million (2012 - $4.0 million) (Note 30).

On a combined basis, the impact of changes in actuarial gains and losses on other defined benefit plans included in OCI is a gain of $1.8 million (2012 - loss of $1.0 million) (Note 30).

The significant actuarial assumptions used in the valuation of other defined benefit plans are as follows:

	2013				
	SaskTel	**SGI**	**SaskPower**	**SaskEnergy**	**SaskWater**
Discount rate	**3.8%**	**4.0%**	**4.0%**	**3.6%**	**4.3%**
Inflation rate	**-**	**2.5%**	**2.0%**	**2.5%**	**2.5%**
Long-term rate of compensation increases	**3.0%**	**3.5%**	**2.0%**	**3.0%**	**3.0%**
Remaining service life (years)	**9**	**9**	**7**	**6**	**13**
Last actuarial valuation	**12/31/10**	**12/31/10**	**12/31/13**	**12/31/13**	**12/31/13**

	2012				
	SaskTel	**SGI**	**SaskPower**	**SaskEnergy**	**SaskWater**
Discount rate	3.4%	3.3%	3.3%	3.1%	3.5%
Inflation rate	-	2.5%	2.5%	2.5%	2.5%
Long-term rate of compensation increases	3.0%	3.5%	2.0%	3.0%	3.0%
Remaining service life (years)	10	9	8	6	13
Last actuarial valuation	12/31/10	12/31/10	12/31/12	12/31/12	12/31/12

The actuarial assumptions are based on management's expectations, independent actuarial advice and guidance provided by IFRS. The most significant assumption is the discount rate which is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the obligations.

Sensitivity analysis on other defined benefit plan assumptions

The following illustrates the impact on the 2013 other defined benefit obligation from a 1.0 per cent change in an actuarial assumption while holding other assumptions constant (thousands of dollars):

	SaskTel		SGI		SaskPower		SaskEnergy		SaskWater	
	Increase	(Decrease)	Increase	(Decrease)	Increase	(Decrease)	Increase	(Decrease)	Increase	(Decrease)
Discount rate	$ (924)	$ 1,038	$ (965)	$ 1,097	$ (777)	$ 886	$ (449)	$ 470	$ (13)	$ 14
Long term rate of compensation increases	1,039	(943)	1,094	(978)	887	(791)	348	(337)	14	(13)

Employee future benefit liability

The employees future benefit liability on the 2013 Consolidated Statement of Financial Position includes net liabilities incurred from the Corporation's defined benefit pension plans and other defined benefit plans. On a combined basis, at December 31, 2013, these liabilities totaled $281.7 million (2012 - $641.2 million).

22. EMPLOYEE FUTURE BENEFITS *(continued)*

Other benefit plans *(continued)*

Defined contribution pension plans

The Corporation also has employees who are members of defined contribution pension plans. The Corporation's financial obligation is limited to contractual contributions to the plan. On a combined basis, for the year ended December 31, 2013, the Corporation paid $53.9 million (2012 - $49.2 million) into these plans.

Employee future benefits expense

Employees future benefits expense on the Consolidated Statement of Comprehensive Income includes contributions to the defined contribution pension plans and current service costs for the defined benefit pension plans and other defined benefit plans. On a combined basis, for the year ended December 31, 2013, employee future benefits expense totaled $61.8 million (2012 - $59.7 million).

23. OTHER LIABILITIES

(thousands of dollars)

	2013	2012
Customer contributions	$ **85,081**	$ 56,919
Government grants	**23,737**	28,935
Other liabilities	**11,725**	17,223
	$ **120,543**	$ 103,077

24. EQUITY ADVANCES AND CAPITAL DISCLOSURES

The Corporation does not have share capital. However, the Corporation has received advances from the GRF to form its equity capitalization. The advances are an equity investment in the Corporation by the GRF.

Due to its ownership structure, the Corporation has no access to capital markets for equity. Equity advances in the Corporation are determined by the shareholder on an annual basis. Dividends to the GRF are determined through the Saskatchewan provincial budget process on an annual basis.

The Corporation closely monitors its debt level utilizing the debt ratio as a primary indicator of financial health. The debt ratio measures the amount of debt in the Corporation's capital structure. The Corporation uses this measure in assessing the extent of financial leverage and, in turn, its financial flexibility.

Too high a ratio relative to target indicates an excessive debt burden that may impair the Corporation's ability to withstand downturns in revenues and still meet fixed payment obligations. The ratio is calculated as net debt divided by capitalization at the end of the year.

CIC reviews the debt ratio targets of all its subsidiary Crown corporations on an annual basis to ensure consistency with industry standards. This review includes subsidiary Crown corporations' plans for capital spending. The target debt ratios for subsidiary Crown corporations are approved by the CIC Board. The Corporation uses targeted debt ratios to compile a weighted average debt ratio for the CIC Crown sector. The target ratio for 2014 is 57.1 per cent.

The Corporation raises most of its capital requirements through internal operating activities and long-term debt through the GRF. This type of borrowing allows the Corporation to take advantage of the Province of Saskatchewan's strong credit rating and receive financing at attractive interest rates.

The Corporation made no changes to its approach to capital management during the year and complied with all externally imposed capital requirements.

24. EQUITY ADVANCES AND CAPITAL DISCLOSURES ***(continued)***

The debt ratio is as follows (thousands of dollars):

	Note	2013	2012
Total debt (a)		$ 6,624,046	$ 5,709,738
Less: Sinking funds	7(b)	(551,161)	(564,805)
Net debt		6,072,885	5,144,933
Equity (b)		4,729,876	4,668,020
Capitalization		$ 10,802,761	$ 9,812,953
Debt ratio		56.2%	52.4%

a) Total debt includes long-term debt, long-term debt due within one year and notes payable.

b) Equity includes equity advances, contributed surplus and retained earnings.

25. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

(thousands of dollars)

	2013	2012
Items that may be reclassified to net earnings:		
Foreign currency translation adjustments	$ 1	$ (476)
Unrealized losses on cash flow hedges	103	(3,647)
Realized gains on cash flow hedges	46,748	-
Unamortized realized gains on cash flow hedges	-	(2,228)
Share of changes in comprehensive income recognized by associates	(3)	(6)
	46,849	(6,357)
Items that will not be reclassified to net earnings:		
Impact of changes in defined benefit plan actuarial assumptions	57,202	(321,523)
	$ 104,051	$ (327,880)

26. COMMITMENTS AND CONTINGENCIES

The following significant commitments and contingencies exist at December 31, 2013:

a) The Corporation has committed to provide $7.6 million (2012 - $11.4 million) in loans and equity for investment in Saskatchewan business.

b) At 2013 prices, the Corporation has forward commitments of $1,316.1 million (2012 - $1,030.5 million) extending until 2024 for future minimum coal deliveries.

c) As at December 31, 2013, the Corporation has committed to spend $1,620.7 million (2012 - $1,614.3 million) on capital projects.

d) The Corporation has issued letters of credit in the amount of $35.8 million (2012 - $17.8 million).

e) The Corporation has entered into contracts to purchase natural gas expected to cost $714.4 million (2012 - $817.2 million) based on forward market prices until 2022. This includes fixed price forward contracts with a notional value of $705.0 million (2012 - $810.6 million) which will be used in the Corporation's operations.

26. COMMITMENTS AND CONTINGENCIES *(continued)*

f) Through the Energy Performance Contracting (EPC) Program, the Corporation has guaranteed $11.2 million (2012 - $25.6 million) of energy savings to various customers. The EPC Program is a comprehensive facility improvement initiative designed to enhance the facilities of the customer while permanently reducing utility costs. These guarantees are offset by third party guarantees to the Corporation that ensure the energy savings are realized.

g) As at December 31, 2013, the Corporation has committed to electricity and natural gas trading sales of $57.9 million (2012 - $51.9 million) and electricity and natural gas trading and transmission purchases of $103.8 million (2012 - $103.4 million). These contracts are considered derivative financial instruments and changes in fair value have been included in net earnings.

h) Subject to certain conditions, the Corporation has agreed to make annual payments of $2.6 million to the Regina Exhibition Association until 2027 and $0.4 million to the Moose Jaw Exhibition Company Ltd. until 2028, as compensation for the loss of gaming income caused by the operation of Casino Regina and Casino Moose Jaw respectively.

i) The Corporation has outstanding service contract commitments of $438.5 million (2012 - $169.0 million).

j) The Corporation has committed to provide $99.5 million (2012 - $66.9 million) to builders and developers as part of the HeadStart on a Home program.

k) The Corporation has provided a promissory note as acceptable credit support up to $4.6 million for project lenders in respect of the debt coverage service ratio requirements for the Cory Cogeneration Station.

l) On August 9, 2004, a proceeding under the *Class Actions Act* (Saskatchewan) was brought against several Canadian wireless and cellular service providers, including the Corporation. The Plaintiffs seek unquantified damages from the defendant wireless communications service providers. Similar proceedings have been filed by, or on behalf of, Plaintiffs' counsel in other provincial jurisdictions. On September 17, 2007, the Saskatchewan court certified the Plaintiff's proceeding as a class action with respect to an allegation of unjust enrichment only for wireless customers during the period of April 1, 1987 and the date of the certification order being February 13, 2008. The class period has now been extended to March 31, 2014. The matter will now proceed in the usual fashion of finalized pleadings, document and oral discovery to trial. The Corporation continues to belief that it has strong defences to the allegations as certified in the 2004 action.

On July 24, 2009, a second proceeding under the *Class Actions Act* (Saskatchewan) was issued against several Canadian wireless and cellular service providers, including the Corporation. The Corporation believes this second claim involves substantially the same allegations as the 2004 claim that was heard before the Saskatchewan Court of Appeal in December 2010. On December 7 and 8, 2009, the Court of Queen's Bench heard motions by the Defendants, including the Corporation, that the second action commenced by the Plaintiffs in July 2009 should be permanently stayed (prevented from proceeding in any manner) as an abuse of the process of the Court, given the existence of the 2004 action. A decision by the Court of Queen's Bench on the Defendant's abuse of process motion was issued December 23, 2009. This second action has been conditionally stayed as an abuse of process without prejudice to the plaintiff to pursue their claims in the future if circumstances change. The Corporation believes that it has strong defences to the allegations contained in the 2009 claim.

26. COMMITMENTS AND CONTINGENCIES ***(continued)***

m) On June 26, 2008, a proceeding under the *Class Actions Act* (Saskatchewan) was brought against several Canadian wireline, wireless and cellular service providers, including the Corporation. The proceeding involves allegations by wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment and breach of statutory obligations concerning fees and charges paid for 9-1-1 service. The Plaintiffs seek unquantified damages from the defendant communications service providers. The Corporation believes that it has strong defences to the claim and will be defending it. External legal counsel has been retained by the Corporation to handle this matter. A date has yet to be finalized for a hearing of a motion to determine if this claim should be certified as a class action.

In September 2011, the Corporation was served with a second 9-1-1 Class Action claim substantially the same as the 2008 Saskatchewan action noted above. This second claim was issued in Alberta in August 2008 but not served on the Corporation until more than three years later. The Corporation believes that it has strong defences to the claim and will be defending it. External legal counsel has been retained. Currently, the Corporation is not aware of any further proceedings being taken in this second action beyond service for the claim.

n) In November 2011, the Corporation was served with two proposed Class Action claims, one issued in Saskatchewan and one issued in Alberta. The claims substantially overlap and name the major wireless carriers in Canada, including the Corporation, and Research in Motion as defendants. The proposed claims seek compensation related to Blackberry service issues alleged to have occurred in October 2011. The Corporation believes that it has strong defences to the claim and will be defending it. Currently, the Corporation is not aware of any further proceedings being taken in this second action beyond service of the claim.

o) On May 29, 2013, the Corporation was served a claim out of the Court of Queen's Bench in Alberta. This proposed class action sued all the wireless carriers that have been sued in all the other system administration fees class actions that are currently outstanding including the Corporation. The claim is over the period from 1987 to date. An application was heard September 27, 2013 to have this suit dismissed on the basis that the Alberta court does not have jurisdiction over the Corporation as we do not carry on business in Alberta. That application was dismissed. An application may still be brought to strike the claim as an abuse of process given the live nature of the aforementioned system administration fee claim in Saskatchewan.

p) On February 6, 2013, the Corporation was served with a claim out of the Supreme Court of British Columbia. The Plaintiffs seek unquantified damages from the defendant wireless communications service providers and most known wireless device manufacturers. The claim is primarily one of product liability involving allegations by wireless customers who have had cancer or other afflictions allegedly caused by cell phone use. This claim is being defended by external legal counsel retained by the Corporation's liability insurer. The Corporation believes there is no merit to the claim and will be defending it.

q) The Corporation remains in litigation in relation to a home explosion and other incidents during 2011 in Regina, Saskatchewan. The Corporation does not expect the outcomes to result in any material financial impact.

r) The Corporation has various legal matters pending which, in the opinion of management, will not have a material effect on the Corporation's consolidated financial position or results of operations. Should the ultimate resolution of actions differ from management's assessments and assumptions, a material adjustment to the Corporation's financial position or results of operations could result.

27. DEPRECIATION AND AMORTIZATION

(thousands of dollars)

	Note	2013	2012
Property, plant and equipment	13	$ 583,459	$ 542,343
Intangible assets	15	52,072	51,971
Investment property	14	7,515	7,372
Less: amounts reclassified to discontinued operations	11	-	(7,639)
		$ 643,046	$ 594,047

28. IMPAIRMENT LOSSES

(thousands of dollars)

	Note	2013	2012
Impairment losses on investments		$ 9,546	$ 15,262
Impairment losses on property, plant and equipment	13	77	-
Impairment losses on intangible assets	15	481	-
		$ 10,104	$ 15,262

29. SASKATCHEWAN TAXES AND FEES

(thousands of dollars)

	2013	2012
Saskatchewan capital tax	$ 59,417	$ 52,083
Grants in lieu of taxes to municipalities	35,160	32,966
Gaming fees	20,546	26,311
Insurance premium tax	18,991	18,106
Other	3,543	2,671
	$ 137,657	$ 132,137

30. FINANCE INCOME AND EXPENSES
(thousands of dollars)

	Note	2013	2012
Recognized in consolidated net earnings			
Sinking fund earnings	7(b)	$ 27,137	$ 32,454
Gain on sale of investments at fair value through profit or loss		20,604	2,143
Change in fair value of financial assets at fair value through profit or loss		11,534	15,019
Interest income from investments at fair value through profit or loss		18,263	19,267
Amounts amortized to net earnings and included in finance income		504	(10)
Interest income from defined benefit pension plans	22	61,846	67,377
Other		18,620	16,152
Finance income		158,508	152,402
Interest expense on financial liabilities measured at amortized cost		403,578	323,724
Change in fair value of financial assets at fair value through profit or loss		46,280	14,495
Accretion expense on provisions	19	7,320	8,435
Interest cost on defined benefit pension plans	22	82,581	89,485
Interest cost on other defined benefit plans	22	6,116	3,993
Interest capitalized [1]		(67,507)	(38,534)
Other		2,522	2,005
Finance expenses		480,890	403,603
Net finance expenses		$ 322,382	$ 251,201
Recognized directly in equity			
Foreign currency translation adjustments		$ 477	$ 194
Impact of changes in actuarial assumptions on defined benefit pension plans	22	218,690	(136,506)
Impact of changes in actuarial assumptions on other defined benefit pension plans	22	1,837	(998)
Return on pension plan assets (excluding interest income)	22	158,198	105,784
Unrealized gains (losses) on cash flow hedges		3,750	(3,904)
Realized gains (losses) on cash flow hedges		49,480	(2,228)
Amounts amortized to net earnings and included in finance income		(504)	-
Net finance income (expense) recognized directly in equity and attributable to Province of Saskatchewan		$ 431,928	$ (37,658)

[1] The weighted average interest rate used to capitalize interest was 5.26 per cent at December 31, 2013 (2012 - 5.93 per cent).

31. CONSOLIDATED STATEMENT OF CASH FLOWS

(thousands of dollars)

	Note	2013	2012
Adjustments to reconcile net earnings to cash from operating activities			
Depreciation and amortization	27	$ 643,046	$ 594,047
Share of net earnings from equity accounted investees	12	(28,376)	(12,517)
Gain from discontinued operations	11	(221,538)	(21,240)
Net (gain) loss on sale of equity accounted investees	12	(9,411)	7,428
Defined benefit plan current service costs	22	7,846	10,570
Provision for decommissioning and environmental remediation liabilities	19	12,122	2,977
Unrealized losses (gains) on derivative financial instruments	8(b)	29,263	(30,188)
Inventory recoveries	10	(12,952)	(22,780)
Loss on disposal of property, plant and equipment		24,780	23,711
Impairment losses	28	10,104	15,262
Net finance expenses	30	322,382	251,201
Other non-cash items		394	(3,072)
		$ 777,660	$ 815,399

32. RELATED PARTY TRANSACTIONS

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). The Corporation has elected to take a partial exemption under IAS 24, *Related Party Disclosures* which allows government related entities to limit the extent of disclosures about related party transactions with government or other government related entities.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

The Corporation pays Saskatchewan provincial sales tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these consolidated financial statements and the notes thereto.

Key management personnel compensation

In addition to salaries, the Corporation provides non-cash benefits to key management personnel, defined as the Board of Directors of each of its subsidiaries, as well as the President and Vice-Presidents of CIC and each of its subsidiaries.

Key management personnel compensation consists of (thousands of dollars):

	2013	2012
Salaries, wages and short-term employee benefits	$ 21,474	$ 21,398
Employee future benefits	1,413	1,297
Other	8	34
	$ 22,895	$ 22,729

CIC Separate

Customer focus is a priority for the Crowns, demonstrated by the adoption of new technologies such as "smart" meters to more quickly and accurately measure energy use, and by the prompt delivery of service to new residential and industrial customers.

ANALYSIS OF FINANCIAL RESULTS

CIC's (the Corporation) separate financial statements are used to determine CIC's capacity to pay dividends to the Province's General Revenue Fund (GRF). These separate financial statements isolate the Corporation's cash-flow, capital and operating support for certain subsidiary Crown corporations. Inclusion of these financial statements in the Annual Report of CIC enhances accountability and the transparency of CIC's operations.

This narrative on CIC's separate 2013 financial results should be read in conjunction with the audited separate financial statements. For the purposes of this narrative on CIC's separate financial results, "CIC" refers to the holding company.

COMPARISON OF 2013 RESULTS WITH 2012 RESULTS

EARNINGS

The following table presents a five-year comparison of CIC's financial results:
(millions of dollars)

	2013	2012	2011	2010	2009[1]
Dividend revenues from subsidiary corporations	**$ 202.5**	$ 346.4	$ 213.9	$ 276.1	$ 258.1
Add: Finance and other revenue	**3.2**	4.5	5.1	4.9	12.7
Gain on sale of Information Services Corp. (ISC) shares	**156.2**	-	-	-	-
Grant funding from GRF	-	-	100.3	109.9	27.8
Less: Operating, salaries and other administrative expenses	**(12.9)**	(15.4)	(15.7)	(14.2)	(18.6)
Grants to subsidiary corporations	**(18.6)**	(21.5)	(136.5)	(140.7)	(103.3)
Total Separate Earnings	**$ 330.4**	$ 314.0	$ 167.1	$ 236.0	$ 176.7

[1] Amounts for 2009 were prepared under former Canadian Generally Accepted Accounting Principles.

Earnings for 2013 were $330.4 million (2012 - $314.0 million), an increase of $16.4 million from 2012. The increase in earnings is primarily due to the sale of ISC shares which generated a gain on sale of $156.2 million, a decrease in grant funding to subsidiary corporations of $2.9 million and a decrease in operating, salaries and other administrative expenses of $2.5 million. The increases in earnings were offset by a decrease in dividend revenue from subsidiary corporations of $143.9 million and a decrease in finance and other revenue of $1.3 million.

DIVIDEND REVENUE

CIC's revenue consists of dividends from subsidiary Crown corporations and revenue from investments. Dividends from subsidiary Crown corporations are the primary determinant in CIC's ability to pay regular dividends to the GRF.

Revenues are influenced by weather as follows:

- Demand for electricity and natural gas increases during cold weather impacts earnings at SaskPower and SaskEnergy;
- Accident and other insurance claims at SGI are impacted by winter driving conditions and the summer storm season; and
- Water run-off levels impact SaskPower's capacity to generate hydro-electricity at a much lower cost compared to natural gas and coal generation.

DIVIDEND REVENUE *(continued)*
Dividend revenue in 2013 decreased $143.9 million to $202.5 million. A five-year history on revenue by contribution source is as follows:

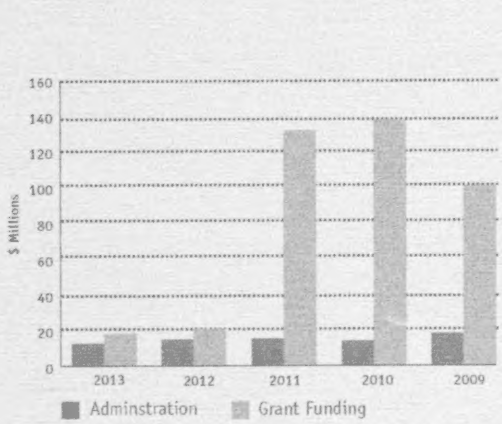
Dividend Revenue
(millions of dollars)

	2013	2012	2011	2010	2009
Dividend revenue					
SaskTel	**$ 81.1**	$ 84.3	$ 138.6	$ 139.7	$ 103.2
CIC AMI	**35.0**	15.0	-	-	34.0
SaskEnergy	**30.4**	27.2	39.1	48.8	51.3
SGI	**25.6**	52.0	-	43.5	34.0
SGC	**16.4**	21.0	20.7	19.4	20.3
ISC	**12.3**	19.1	15.5	14.0	13.6
SOCO	**1.7**	2.8	-	9.0	-
SaskPower	**-**	120.0	-	-	-
CIC Apex Equity Holdco Ltd.	**-**	5.0	-	-	-
SGGF MC	**-**	-	-	-	1.7
SDFC	**-**	-	-	1.7	-
Total Dividend Revenue	**$ 202.5**	$ 346.4	$ 213.9	$ 276.1	$ 258.1

- SaskTel's dividend of $81.1 million decreased by $3.2 million from its 2012 dividend of $84.3 million. The decrease in dividends was due in most part to increased costs for goods and services purchased to support revenue growth in wireless, *Max*™, data and internet revenues and increased financing costs. This was partially offset by the effect of SaskTel's dividend rate increasing to 90 per cent from 65 per cent in 2012.
- CIC AMI paid a dividend of $35.0 million compared to $15.0 million in 2012. CIC AMI's dividend is based on cash flow availability.
- SaskEnergy's 2013 dividend of $30.4 million increased $3.2 million from $27.2 million in 2012. The increase is a result of weather being 14.4 per cent colder and increases in customer connections.
- SGI paid a dividend of $25.6 million in 2013 as compared to $52.0 million in 2012 due to decreased earnings in 2013. SGI's lower dividend in 2013 is a result of higher claims incurred from ice damming claims, severe storm losses in Saskatchewan, Alberta and Ontario, and other large losses in personal lines, commercial lines and agriculture.
- SGC's 2013 dividend of $16.4 million decreased $4.6 million from $21.0 million in 2012 as a result of lower revenue from a decline in guest visitation and net average guest spend.
- ISC ceased being a subsidiary Crown corporation on May 30, 2013. In July 2013, CIC sold 69.0 per cent of its Class A Limited Voting shares of ISC. ISC's dividend to May 31, 2013 was $11.3 million. On October 15, 2013, CIC received dividends of $1.0 million from ISC.
- SOCO paid a dividend of $1.7 million in 2013 compared to $2.8 million in 2012 due to significantly increased losses at the Bio Processing Centre and increased administration expenses.
- SaskPower did not pay a dividend in 2013 and from 2009 to 2011 due to its significant investments in property, plant and equipment. SaskPower's dividend in 2012 of $120.0 million was based on exceptional earnings in 2011 of $248.0 million.

OPERATING, SALARIES AND BENEFITS AND GRANTS TO SUBSIDIARY CORPORATIONS

CIC's expenses are divided into two main categories: administrative and grants to subsidiary corporations. The adjacent chart shows CIC's expenses by category. Total expenses in 2013 of $31.5 million were $5.4 million lower than the 2012 total of $36.9 million.



OPERATING, SALARIES AND BENEFITS AND OTHER ADMINISTRATIVE EXPENSES

Operating, salaries and benefits and other administrative expenses decreased by $2.5 million during 2013 to $12.9 million. This decrease is primarily due to a decrease in salaries, benefits and operating costs of $3.5 million offset by a $1.0 million investment impairment loss recorded on First Nation and Métis Fund Inc.

GRANTS TO SUBSIDIARY CORPORATIONS

CIC's grant funding to subsidiary corporations of $18.6 million (2012 - $21.5 million) decreased by $2.9 million over 2012. CIC's grant funding is as follows:

- CIC provided SaskEnergy with $4.1 million (2012 - $9.8 million) as part of the Saskatchewan Energy Share program (EnerGuide for Houses).
- CIC grant funding to STC of $14.0 million increased from $11.5 million in 2012. Funding for 2013 consisted of $10.5 million (2012 - $9.2 million) for operations and $3.5 million (2012 - $2.3 million) to meet capital requirements.
- Gradworks Inc. received $0.5 million in grants in 2013 (2012 - $0.2 million) to fund its internship program.
- During 2011 - 2009, the Corporation provided $237.9 million in grants to SaskPower in support of their carbon capture and storage initiatives.

OPERATING, INVESTING AND FINANCING ACTIVITIES

(millions of dollars)

	2013	2012
Cash Flow Highlights		
Cash from operations	$ 209.1	$ 288.5
Cash provided by investing activities	379.7	20.5
Cash used in financing activities	(504.3)	(280.1)
Change in Cash	$ 84.5	$ 28.9

Cash from operations of $209.1 million decreased from 2012 by $79.4 million. This is primarily a result of a $143.9 million decrease in dividend revenue from Crown corporations. This was partially offset by a $58.7 million positive net change in non-cash working capital balances primarily due to a decrease of $35.9 million in dividends receivable, which relates to the drop in dividend revenue in 2013.

OPERATING, INVESTING AND FINANCING ACTIVITIES *(continued)*

In 2013, investing activities provided $379.7 million in cash (2012 - $20.5 million), an increase of $359.2 million. The increase in cash flows is mainly due to:

- One-time proceeds from the sale of ISC shares of $156.2 million realized in 2013;
- A share retraction of $45.0 million from CIC AMI offset by the 2012 repayment of amounts owing from CIC Apex Equity Holdco Ltd. of $21.4 million; and
- Reclassifications of $178.4 million of cash between cash and cash equivalents and short-term investments. Short-term money market investments are classified as cash and cash equivalents if the maturity of the investment is 90 days or less and classified as short-term investments if the maturity date is 91 days or more.

Net cash used in financing activities was $504.3 million as compared to $280.1 million in 2012. In 2013, CIC declared and paid: a regular dividend to the GRF of $180.0 million; additional dividends of $162.0 million; a $16.6 million dividend for the Innovation Agenda; a $2.8 million dividend-in-kind for the transfer of Vital Statistics to the GRF; and an equity repayment of $143.0 million for a total transfer of $504.3 million to the GRF.

PUBLIC POLICY INITIATIVES

FIRST NATIONS AND MÉTIS FUND INC. (FNMF)

First Nations and Métis Fund Inc. was established to provide venture capital to qualifying First Nations and Métis businesses in the Province of Saskatchewan. CIC has committed to invest up to $20.0 million. In 2011, FNMF became responsible for the Government's First Nations Business Development Program (FNBDP). FNBDP can invest up to $3.0 million in qualifying First Nations businesses. To December 31, 2013, CIC had invested $12.4 million and committed to fund two additional investments totaling $3.0 million in 2014. Any further commitment to FNMF will be restricted to additional funding for existing investments and administration.

SASKATCHEWAN IMMIGRANT INVESTOR FUND INC. (SIIF)

Saskatchewan Immigrant Investor Fund Inc. was established to participate in the Government of Canada's Immigrant Investor Program (IIP). The Corporation uses IIP funds to deliver the Government of Saskatchewan's HeadStart on a Home program that assists developers in building affordable housing in Saskatchewan. At December 31, 2013, SIIF had approved loans of $224.8 million in support of 1,331 new homes, of which 982 are completed or currently under construction.

The Government of Canada has announced that it will no longer accept funds into the IIP. SIIF will complete its mandate five years after the last Government of Canada IIP allocation. At this point it is unknown when the last allocation will be received from the Government of Canada.

GRADWORKS INC. (GRADWORKS)

The Gradworks internship program provides recent post-secondary graduates with internships in CIC Crown corporations, providing the graduates job opportunities and valuable work experience that may lead to permanent jobs in the Crowns, or with other Saskatchewan employers. In 2013, CIC provided grant funding of $0.5 million (2012 - $0.2 million) for the administration of Gradworks.

COMPARISON OF 2013 RESULTS WITH BUDGET
(millions of dollars)

	2013 Dividend Revenue		Budgeted Dividend
	Budget	Actual	(%) of Earnings
Dividends to CIC			
SaskTel	$ 84.4	$ 81.1	90%
CIC AMI	35.0	35.0	N/A
SaskEnergy[1]	27.5	30.4	38%
SGI	23.7	25.6	65%
SGC	21.1	16.4	80%
ISC	13.6	12.3	90%
SOCO	2.8	1.7	65%
Total Dividend Revenue	208.1	202.5	
Grants to subsidiary corporations	(20.1)	(18.6)	
Gain on sale of ISC shares	100.0	156.2	
Other expenses net of income	(14.6)	(9.7)	
Separate Earnings	$ 273.4	$ 330.4	
Dividend to the GRF	$ 316.6	$ 361.4	

[1] Dividends for SaskEnergy are based on earnings from operations before the impacts of fair value adjustments (referred to as operating income).

EARNINGS

Separate earnings for 2013 of $330.4 million were $57.0 million higher than budget. The earnings exceeded budget primarily due to a higher-than-expected gain on sale of ISC shares of $56.2 million above the budgeted amount, lower-than-budgeted grant funding of $1.5 million, and lower-than-budgeted expenditures of $4.9 million. These amounts are offset by lower-than-budgeted dividend revenue of $5.6 million.

DIVIDEND REVENUE

Dividend revenue is directly proportionate to Crown earnings. The following outlines variances in dividends from subsidiary corporations:

- SaskTel dividends were lower than budget due to lower operating revenues and higher net finance expense slightly offset by lower operating expenses. Operating revenues were lower as a result of lower-than-expected new service revenue and lower wireless subscribers, partially offset by an increase in wireless average revenue per unit.
- CIC AMI dividends were on budget. Distributions to CIC depend on cash availability. During 2013, dividends of $35.0 million were paid to CIC.
- SaskEnergy dividends were higher than budget due to cold weather and earnings from gas marketing.
- SGI dividends were higher than budget due to strong investment returns, partially offset by higher-than-expected claim costs and commissions.
- SGC dividends were below budget primarily as a result of lower revenue from lower guest visitations and net average guest spend.
- ISC dividends were lower than budget primarily due to lower land registry and geomatics services and solutions revenue.
- SOCO dividends were lower than budget. This decrease is the result of significantly increased losses at the Bio Processing Centre and increased administration expenses.

COMPARISON OF 2013 RESULTS WITH BUDGET *(continued)*

GRANTS TO SUBSIDIARY CORPORATIONS

CIC's grant funding to subsidiary Crown corporations was lower than budget by $1.5 million. This decrease is primarily due to lower-than-budgeted grants of $1.9 million to SaskEnergy in support of the EnerGuide for Houses program. The decrease was offset by higher-than-budgeted grants of $0.4 million to STC for operations and to meet capital requirements.

DIVIDEND TO THE GRF

In 2013, CIC declared and paid dividends to the GRF of $361.4 million. CIC's dividends included the budgeted dividend of $180.0 million, additional dividends of $162.0 million to support government initiatives, a $2.8 million dividend-in-kind for the transfer of Vital Statistics to the GRF and a special dividend of $16.6 million to support the Innovation Agenda.

GAIN ON SALE OF ISC

The Corporation's gain on sale of ISC shares of $156.2 million was $56.2 million higher than budgeted.

OTHER INCOME

Other expenses net of income were $4.9 million better than budget. The Corporation's interest income was higher than budgeted by $0.9 million due to higher-than-expected cash balances, and operating expenditures were $4.0 million below budget due mainly to lower salaries and short-term employee benefits and consulting and legal expenses.

ENTERPRISE RISK AND OPPORTUNITIES MANAGEMENT (EROM)

Successful execution of CIC's corporate strategy and achievement of the business plan requires an understanding of the associated risks within the environment in which the Corporation operates. The EROM program identifies potential future events and risks that could negatively affect the achievement of the Corporation's strategic goals or objectives which could result in financial loss, or an event that could damage CIC's reputation. Risks are assessed in terms of likelihood of occurrence and severity of the occurrence. The EROM process can also lead to innovation and opportunities for improvement.

The Corporation identified four main categories within our risk management framework: financial, mandate, legal compliance and reporting, and reputational. A risk may affect one or all categories. In order to understand risks associated with the Corporation, CIC risk management staff interviews all senior management. The interviews identify business risks inherent to the Corporation and establish what, if any, mitigating processes and controls exist to reduce the inherent risk.

After identification of risks and establishment of the controls and mitigating factors, risk registers are updated. These rank risks based on likelihood of occurrence and severity of the occurrence once mitigating controls or processes are taken into account. Once established, the executive and CIC Board determine their risk tolerance and can decide to accept, further mitigate, transfer, or avoid the risk. This can lead to identification of opportunities and strategies to either close gaps or to reallocate resources from areas that are considered over-mitigated.

ENTERPRISE RISK AND OPPORTUNITIES MANAGEMENT (EROM) *(continued)*

CIC'S RISK ASSESSMENT STRATEGY

RISK OVERVIEW

The Corporation ranks the ten most significant risks on its risk register. The Corporation has determined the following risks are the most significant:

1. **Ineffective employee knowledge transfer.**
   Various CIC employees are eligible for retirement or employees could leave for other opportunities, which could cause an inability to transfer knowledge and develop staff to succeed into key roles. The Corporation mitigates this risk by ensuring it is aware of its employees' ages, diversity and years to retirement, and by reviewing other policies to further mitigate this risk.

2. **Inability to attract and retain employees.**
   The competitive marketplace for qualified staff may result in inability for the Corporation to attract and retain the appropriate highly skilled staff. The Corporation mitigates this risk through: periodic job evaluation and market compensation analysis to ensure staff are appropriately compensated; performance management processes; and progressive human resource policies that ensure CIC is viewed as an employer of choice. The Corporation believes the mitigation is appropriate and has accepted the risk and will continue to monitor.

3. **Inability to achieve financial stability and sufficient returns to the Province.**
   The Corporation provides dividends to the GRF. Risks exist that policy and financial decisions made by CIC and/or its subsidiary corporations will impact CIC's ability to provide dividends to the GRF. The Corporation mitigates risk through the approval of subsidiary business plans, regular quarterly reporting and forecasting, policies over investing activities and oversight of subsidiary corporations by highly qualified independent boards. The Corporation believes the mitigation is appropriate and has accepted the risk and will continue to monitor.

KEY FACTORS AFFECTING FINANCIAL PERFORMANCE

EARNINGS OF CROWN CORPORATIONS

- The key factor affecting CIC's earnings is the level of dividends from commercial subsidiary Crown corporations.
- Factors affecting the level of dividends from subsidiary Crowns include the level of profits and the application of CIC's Subsidiary Dividend Policy. The CIC Board determines dividends from a subsidiary Crown corporation after allocating cash for reinvestment in infrastructure and consideration of the financial sustainability of the subsidiary Crown.

KEY FACTORS AFFECTING FINANCIAL PERFORMANCE *(continued)*

INVESTMENT VALUES

- CIC regularly assesses the appropriateness of the carrying value for its investments, and writes down an investment if it judges the investment to have other than a temporary decline in carrying value.

LOOKING AHEAD TO 2014

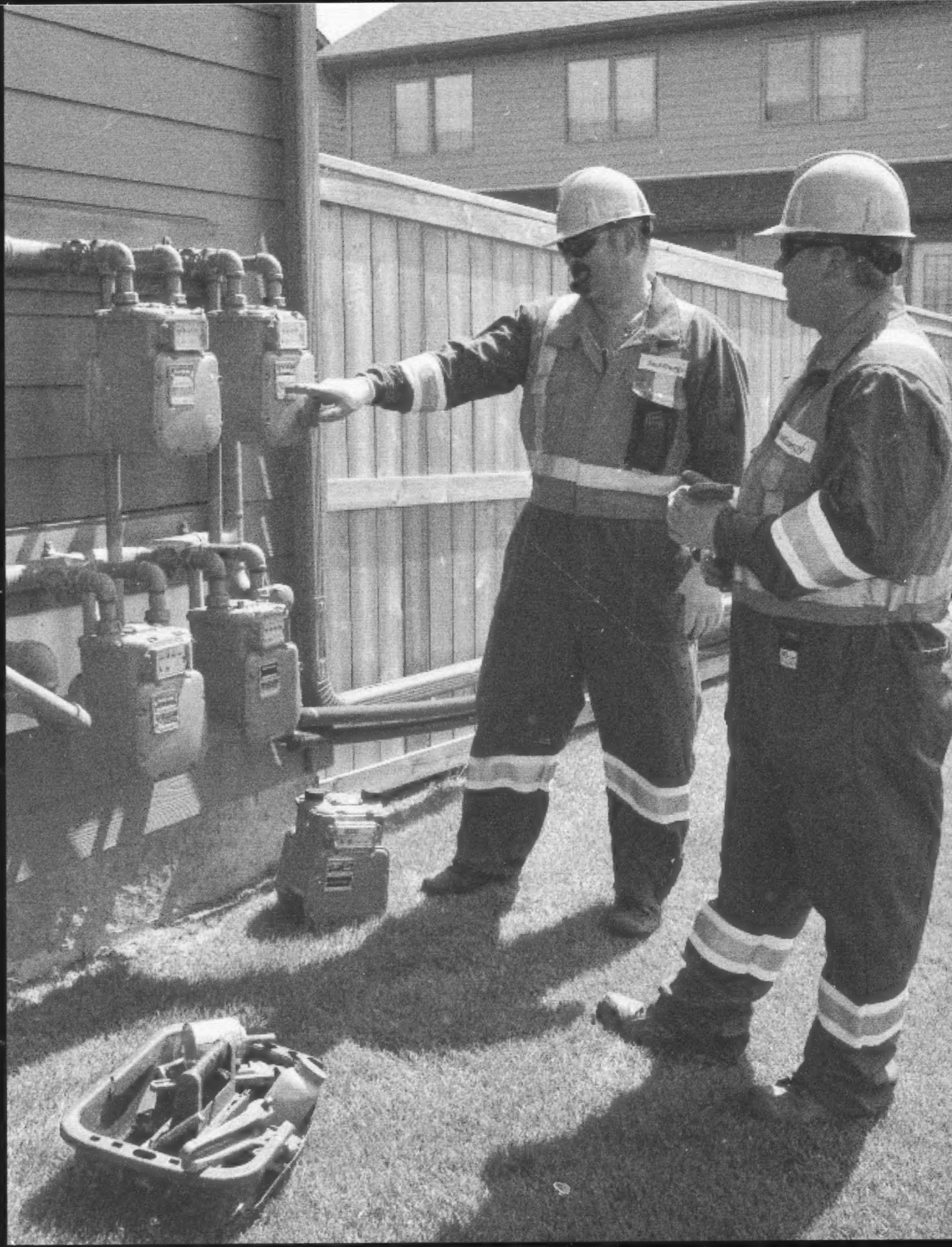
CIC's key financial initiatives for 2014 include:

- Continue to provide a return to the Shareholder;
- Continue to maintain and to improve Saskatchewan's Crown corporation infrastructure to meet the needs of both residents and businesses;
- Continue support for public policy initiatives including:
  - Funding STC bus routes;
  - Funding youth initiatives such as Gradworks; and
  - Providing capital to fund specified economic initiatives;
- Deliver the Government of Saskatchewan's HeadStart on a Home program to assist builders and developers in building affordable housing in Saskatchewan;
- Continue the wind-down of CIC AMI's investments, with a primary focus on selling remaining assets in an orderly manner;
- Enhance governance and accountability through a sector-wide Enterprise Risk and Opportunities Management framework; and
- Continue to monitor new developments in financial reporting and governance, ensuring that CIC continues to be a leader in its reporting and accountability practices.

CIC'S CROWN CORPORATIONS 2014 BUDGET
(millions of dollars)

	Earnings	Dividend	Dividend % of Crown Earnings
SaskEnergy	$ 62.2	$ 23.6	38%
SaskTel	59.2	53.3	90%
SGI	29.7	23.0	77%
SaskPower	26.9	-	-
SGC	25.2	20.2	80%
SaskWater	3.7	-	-
SOCO	2.8	2.5	90%
SIIF	0.9	-	-
STC	(0.3)	-	-
CIC AMI	(2.5)	45.0	N/A
CIC (separate), Other, Adjustments[1]	(45.8)	4.3	-
Consolidated Earnings	**$ 162.0**	**$ 171.9**	
Dividend to the GRF	**$ 206.0**		

[1] Includes dividends from CIC's interest in ISC.



RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying separate financial statements have been prepared by management of Crown Investments Corporation of Saskatchewan to illustrate the financial position and results of operations and cash flows of the corporate entity only. They have been prepared, without consolidation, in accordance with the basis of accounting described in Note 2 and Note 4 to the financial statements, and consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the separate financial statements, the notes to the separate financial statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the separate financial statements. The Board of Directors is responsible for reviewing the annual separate financial statements and meeting with management, KPMG LLP and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the separate financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

KPMG LLP has audited the separate financial statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the separate financial statements, appears opposite.

R.W. (Dick) Carter, FCA	Blair Swystun, CFA
President & CEO	Senior Vice-President & CFO

March 20, 2014

AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying separate financial statements of **Crown Investments Corporation of Saskatchewan**, which comprise the separate statement of financial position as at December 31, 2013, the separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. These separate financial statements have been prepared at the request of the Legislative Assembly of Saskatchewan.

Management's Responsibility for the Separate Financial Statements
Management is responsible for the preparation and fair presentation of these separate financial statements and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Crown Investments Corporation of Saskatchewan as at December 31, 2013, and its separate financial performance and its separate cash flows for the year then ended in accordance with the basis of accounting described in Note 2 and Note 4 to the separate financial statements.

Basis for Accounting and Restriction on Use
Without modifying our opinion, we draw attention to Note 2 and Note 4 to the separate financial statements which describes the basis of accounting. The separate financial statements are prepared for the purpose of tabling with the Legislative Assembly of Saskatchewan. As a result, the separate financial statements may not be suitable for another purpose. Our report is intended solely for the Legislative Assembly of Saskatchewan and Crown Investments Corporation of Saskatchewan and should not be used by parties other than the Legislative Assembly of Saskatchewan and Crown Investments Corporation of Saskatchewan.

KPMG LLP

Chartered Accountants
March 20, 2014
Regina, Saskatchewan

SEPARATE STATEMENT OF FINANCIAL POSITION
As at December 31
(thousands of dollars)

	Note	2013	2012
ASSETS			
Current			
Cash and cash equivalents	6	$ 258,356	$ 173,836
Short-term investments	7	30,000	208,575
Interest and accounts receivable		818	1,667
Dividends receivable		51,828	87,764
		341,002	471,842
Equity advances to Crown corporations	8	1,194,918	1,194,918
Investments in share capital corporations	9	46,837	89,855
Equipment	10	314	387
		$ 1,583,071	$ 1,757,002
LIABILITIES AND PROVINCE'S EQUITY			
Current			
Interest and accounts payable		$ 2,783	$ 2,843
Province of Saskatchewan's Equity			
Equity advances	11	908,889	1,051,839
Retained earnings		671,399	702,320
		1,580,288	1,754,159
		$ 1,583,071	$ 1,757,002
Commitments and contingencies	12		

(See accompanying notes)

On behalf of the Board:

Donna Harpauer
Director

Director

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31
(thousands of dollars)

	Note	2013	2012
INCOME FROM OPERATIONS			
Dividend revenue	13	$ 202,550	$ 346,402
Gain on sale of Information Services Corporation (ISC) shares	14	156,199	-
Other income		94	153
		358,843	346,555
EXPENSES			
Operating		4,774	6,904
Salaries and short-term employee benefits		6,565	7,332
Employee future benefits		473	530
Impairment loss	9(b)	1,000	-
Depreciation and amortization		119	609
		12,931	15,375
EARNINGS FROM OPERATIONS		345,912	331,180
Finance income	15	3,129	4,275
Finance expenses	15	(9)	(9)
NET FINANCE INCOME		3,120	4,266
EARNINGS BEFORE PUBLIC POLICY INITIATIVES		349,032	335,446
Grants to subsidiary corporations	16	(18,574)	(21,467)
NET EARNINGS		330,458	313,979
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN		$ 330,458	$ 313,979

(See accompanying notes)

SEPARATE STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31
(thousands of dollars)

	Note	2013	2012
RETAINED EARNINGS			
Retained earnings - beginning of year		$ 702,320	$ 668,391
Total comprehensive income		330,458	313,979
Dividends to General Revenue Fund (GRF)	11	(361,379)	(280,050)
Retained earnings - end of year		671,399	702,320
EQUITY ADVANCES			
Equity advances - beginning of year		1,051,839	1,051,839
Equity advances repaid to GRF	11	(142,950)	-
Equity advances - end of year		908,889	1,051,839
EQUITY ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN		$ 1,580,288	$ 1,754,159

(See accompanying notes)

SEPARATE STATEMENT OF CASH FLOWS
For the Year Ended December 31
(thousands of dollars)

	Note	2013	2012
OPERATING ACTIVITIES			
Net earnings		$ 330,458	$ 313,979
Adjustments to reconcile net earnings to cash from operating activities:			
Gain on sale of ISC shares		(156,199)	-
Amortization of discounts and premiums		123	117
Depreciation and amortization		119	609
Impairment loss	9(b)	1,000	-
Net finance income		(3,120)	(4,266)
		172,381	310,439
Net change in non-cash working capital balances related to operations	17	36,725	(21,931)
Interest paid		(9)	(9)
Net cash from operating activities		209,097	288,499
INVESTING ACTIVITIES			
Proceeds from sale of ISC shares		156,199	-
Interest received		3,129	4,275
Purchase of investments		(3,750)	(9,067)
Decrease (increase) in short-term investments		178,452	(4,974)
Proceeds from retraction of equity advances		-	8,805
Purchase of equipment		(46)	(88)
Repayment of due from CIC Economic Holdco Ltd.		768	172
Repayment of due from CIC Apex Equity Holdco Ltd.		-	21,387
Proceeds from retraction of CIC Asset Management Inc. shares	9(a)	45,000	-
Net cash from investing activities		379,752	20,510
FINANCING ACTIVITIES			
Equity advances repaid to GRF	11	(142,950)	-
Dividend paid to GRF	11	(361,379)	(280,050)
Net cash used in financing activities		(504,329)	(280,050)
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR		84,520	28,959
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		173,836	144,877
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 258,356	$ 173,836

(See accompanying notes)

1. GENERAL INFORMATION

Crown Investments Corporation of Saskatchewan (CIC) is a corporation domiciled in Canada. The address of CIC's registered office and principal place of business is 400 - 2400 College Avenue, Regina, SK. S4P 1C8. CIC was established to act as a holding corporation for the Province's commercial Crown sector. CIC develops broad corporate policy, directs investments for its subsidiaries and provides dividends to the Province's General Revenue Fund (GRF). A list of CIC's subsidiaries with principal activities is contained in Note 5.

2. BASIS OF PREPARATION

a) Statement of compliance

The separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The separate financial statements were authorized for issue by the Board of Directors on March 20, 2014.

b) Basis of measurement

The separate financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss.

c) Functional and presentation currency

These separate financial statements are presented in Canadian Dollars, which is CIC's functional currency.

d) Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Significant items subject to estimates and assumptions include the carrying amounts of investments (Notes 8 and 9).

e) Use of judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements that affect the application of accounting policies. Significant items subject to judgement include the accounting policies listed in Note 4.

3. APPLICATION OF REVISED ACCOUNTING STANDARDS

The following new and amended accounting standards, effective for annual periods on or after January 1, 2013, have been applied in preparing these separate financial statements in accordance with the related transitional provisions:

IFRS 10, *Consolidated Financial Statements* and IAS 27, *Separate Financial Statements*

IFRS 10 and IAS 27 were issued by the IASB on May 12, 2011, and together replaced IAS 27, *Consolidated and Separate Financial Statements*.

IFRS 10 includes requirements related to consolidated financial statements. It builds on existing principles by establishing a single control model to assess whether an investee should be consolidated. The model focuses on exposure or rights to variability in returns versus the previous concept of benefits.

IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the entity prepares separate financial statements.

The standards were applied retrospectively, effective January 1, 2013, with no material impact on the separate financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these separate financial statements.

CIC's separate financial statements do not consolidate the activities of its subsidiaries. Other than this exception, the accounting policies have been consistently applied by CIC's subsidiary corporations.

CIC prepares audited consolidated financial statements in accordance with IFRS 10, *Consolidated Financial Statements*. The audited consolidated financial statements have been authorized by the CIC Board of Directors on March 20, 2014. CIC's audited consolidated financial statements should be referenced for further information.

a) Cash and cash equivalents

Cash and cash equivalents includes the cash held within CIC's bank accounts and short-term investments that have a maturity date of ninety days or less.

b) Equity advances to Crown corporations

Crown corporations do not have share capital. However, seven Crown corporations have received equity advances from CIC to form their equity capitalization. The equity advances are accounted for at cost and dividends from these corporations are recognized as income when declared.

c) Investments in share capital corporations

Investments in shares of corporations are accounted for at cost. Dividends from these investments are recognized as income when declared.

d) Impairment of equity in Crown corporations and share capital corporations

Investments in Crown corporations and share capital corporations are assessed at each reporting date to determine whether there is objective evidence that the investment is impaired. An investment is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the investment, and that the loss event had a negative effect on the estimated future cash flows of that investment that can be estimated reliably. An impairment loss is recognized through earnings if the carrying amount of the investment exceeds its recoverable amount.

If, in a subsequent year, the fair value of an impaired investment increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in net earnings, then the impairment loss is reversed, with the amount of the reversal recognized through net earnings.

e) Equipment

Equipment is recorded at cost less accumulated depreciation and any accumulated impairment losses. When these assets are disposed of or retired, the related costs less accumulated depreciation and any accumulated impairment losses are eliminated from the accounts. Any resulting gains or losses are reflected in the Separate Statement of Comprehensive Income.

Equipment is depreciated using the following methods:

Computer equipment	3 years straight-line
Furniture and equipment	20 per cent declining balance

4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

f) Financial instruments

i) Non-derivative financial assets

CIC initially recognizes loans and receivables and deposits at fair value on the date that they originated. All other financial assets, including assets designated at fair value though profit or loss, are recognized initially at fair value on the trade date at which CIC becomes a party to the contractual provisions of the instrument.

CIC de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by CIC is recognized as a separate financial asset or liability.

CIC does not net financial assets or liabilities for presentation in the Separate Statement of Financial Position.

CIC non-derivative financial assets include financial assets at fair value through profit or loss and loans and receivables.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if CIC manages such investments and makes purchase and sale decisions based on their fair value in accordance with CIC's documented risk strategy. Upon initial recognition, transaction costs attributable are recognized in net earnings as incurred. Cash and cash equivalents and short-term investments are measured at fair value through profit and loss, and changes therein are recognized through net earnings.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables are comprised of interest and accounts receivable and dividends receivable.

ii) Non-derivative financial liabilities

CIC initially recognizes financial liabilities on the date they originate. All other financial liabilities, including liabilities designated at fair value through profit or loss, are recognized initially on the trade date at which CIC becomes a party to the contractual provisions of the instrument.

CIC de-recognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

CIC does not net financial assets or liabilities for presentation in the Separate Statement of Financial Position.

CIC's non-derivative financial liabilities include interest and accounts payable.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f) Financial instruments *(continued)*

iii) Embedded derivatives

Derivatives may be embedded in other host instruments and are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, when the embedded derivative has the same terms as those of a stand-alone derivative, and the combined contract is not measured at fair value through profit or loss. These embedded derivatives are measured at fair value with subsequent changes recognized in net earnings.

CIC had no contracts with embedded derivatives as at December 31, 2012 and December 31, 2013.

g) Equity advances

CIC periodically receives funding from the Government of Saskatchewan through the GRF. Funding can be provided for one of two purposes, the funding of government policy initiatives for which no return is expected or required, or for long-term investment which is expected to provide a return to the GRF. Funding provided for government policy initiatives is recorded as revenue in the year spending occurs. Funding provided for long-term investment is recorded as an equity advance (Note 11).

h) Revenue recognition

CIC's revenue is derived from the ownership of its subsidiary corporations. Dividend revenue from subsidiary corporations is recorded as income in the Separate Statement of Comprehensive Income when declared. Dividends received are classified as operating activities in accordance with IAS 7, *Statement of Cash Flows.*

i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

j) Employee future benefits

Defined contribution plan

CIC is a member of Capital Pension Plan (CPP), a defined contribution pension plan. A defined contribution plan is a post-employment benefit under which CIC pays fixed contributions to CPP and has no legal or constructive obligation to pay further amounts. Obligations for contributions to CPP are recognized as an employee future benefit expense in the Separate Statement of Comprehensive Income in the year during which services are rendered by employees.

k) Finance income and expenses

Finance income is comprised of interest income from short-term investment holdings. Interest income is recognized as it accrues in the Separate Statement of Comprehensive Income, using the effective interest method. On the Separate Statement of Cash Flows interest income is recorded as an investing activity.

Finance expenses are comprised of bank and service charges. On the Separate Statement of Cash Flows interest expense is recorded as an operating activity.

5. STATUS OF CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

CIC was established by Order in Council 535/47 dated April 2, 1947, and is continued under the provisions of *The Crown Corporations Act, 1993*. CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a provincial Crown corporation is not subject to federal and provincial income taxes. Certain jointly controlled enterprises and subsidiaries are not provincial Crown corporations and are subject to federal and provincial income taxes.

The Act assigns specific financial and other responsibilities to CIC regarding Crown corporations designated or created as subsidiary Crown corporations of CIC under the Act. The following wholly-owned Crown corporations have been designated or created by Order in Council:

Wholly-owned subsidiaries domiciled in Canada	**Principal Activity**
SaskEnergy Incorporated (SaskEnergy)	Natural gas storage and delivery
Saskatchewan Development Fund Corporation (SDFC)[1]	
Saskatchewan Gaming Corporation (SGC)	Entertainment
Saskatchewan Government Insurance (SGI)	Property and casualty insurance
Saskatchewan Opportunities Corporation (SOCO)	Research parks
Saskatchewan Power Corporation (SaskPower)	Electricity
Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	Telecommunications
Saskatchewan Transportation Company (STC)	Passenger and freight transportation
Saskatchewan Water Corporation (SaskWater)	Water and waste water management

[1]SDFC was dissolved effective September 30, 2013.

As described in Note 14, ISC ceased being a Crown corporation under *The Crown Corporations Act, 1993*, and was continued under *The Business Corporations Act (Saskatchewan)*, as a wholly-owned share capital subsidiary effective May 30, 2013. In July 2013, CIC sold 69.0 per cent of the outstanding voting shares of ISC and it therefore ceased being a wholly-owned share capital subsidiary effective July 9, 2013.

In addition to the above Crown corporations, CIC is the sole member of Gradworks Inc., a wholly-owned non-profit subsidiary and the sole shareholder of the following wholly-owned share capital subsidiaries: CIC Asset Management Inc. (CIC AMI); First Nations and Métis Fund Inc. (FNMF); Saskatchewan Immigrant Investor Fund Inc. (SIIF); and CIC Economic Holdco Ltd. all of which are domiciled in Canada.

6. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents are $246.0 million (2012 - $170.0 million) of short-term investments with an effective interest rate of 1.11 per cent (2012 - 1.09 per cent).

7. SHORT-TERM INVESTMENTS

Included in short-term investments are $30.0 million (2012 - $208.4 million) of investments maturing between 91 and 365 days with an effective interest rate of 1.08 per cent (2012 - 1.16 per cent).

8. EQUITY ADVANCES TO CROWN CORPORATIONS

Equity advances to Crown corporations are as follows:
(thousands of dollars)

	2013	2012
Saskatchewan Power Corporation	$ 660,000	$ 660,000
Saskatchewan Telecommunications Holding Corporation	250,000	250,000
Saskatchewan Opportunities Corporation	120,687	120,687
Saskatchewan Government Insurance	80,000	80,000
SaskEnergy Incorporated	71,531	71,531
Saskatchewan Water Corporation	8,700	8,700
Saskatchewan Gaming Corporation	4,000	4,000
	$ 1,194,918	$ 1,194,918

9. INVESTMENTS IN SHARE CAPITAL CORPORATIONS

(thousands of dollars)

	Voting Percentage	2013	2012
CIC Asset Management Inc. (a):			
3,499,983 (2012 - 7,999,983) common shares	100%	$ 35,000	$ 80,000
First Nations and Métis Fund Inc. (b):			
100 (2012 - 100) Class A common shares	100%	-	-
Due from FNMF		12,350	8,600
Impairment in value of FNMF		(3,000)	(2,000)
		9,350	6,600
CIC Economic Holdco Ltd. (c):			
100 (2012 - 100) Class A common shares	100%	-	-
Due from CIC Economic Holdco Ltd.		2,487	3,255
		2,487	3,255
Saskatchewan Immigrant Investor Fund Inc. (d):			
1 (2012 - 1) Class A common share	100%	-	-
Information Services Corporation (e):			
5,425,000 (2012 - Nil) Class A Limited Voting shares	31%	-	-
		$ 46,837	$ 89,855

9. INVESTMENTS IN SHARE CAPITAL CORPORATIONS ***(continued)***

a) CIC AMI was established on November 14, 1979 under *The Business Corporations Act (Saskatchewan)*. CIC AMI provides equity and loans to organizations that have significant operations in Saskatchewan. During 2013, CIC retracted 4,500,000 common shares of CIC AMI at their stated value of $10 per share for total proceeds of $45.0 million.

b) FNMF was established on May 9, 2006 to provide venture capital to qualifying First Nations and Métis businesses in the Province of Saskatchewan. Due to losses accumulated from investments made by FNMF, CIC has recorded a $3.0 million (2012 - $2.0 million) provision against amounts due from FNMF, which reflects CIC's current expectations of recovery of these amounts.

c) CIC, through its wholly-owned subsidiary, CIC Economic Holdco Ltd., entered into a joint venture agreement with Saskatchewan Entrepreneurial Fund Joint Venture (SEFJV). The SEFJV was established on April 24, 2006 to operate as an institutional investment fund focusing primarily on investment in Saskatchewan and the creation of employment and economic growth and expansion of the small business sector in Saskatchewan. CIC Economic Holdco Ltd. holds a 45.5 per cent (2012 - 45.5 per cent) joint venture interest in SEFJV.

At December 31, 2013, CIC Economic Holdco Ltd. had total assets of $2.7 million (2012 - $3.3 million) and recorded earnings of $0.2 million (2012 - $0.3 million). CIC has invested $2.5 million (2012 - $3.2 million) in capital in SEFJV through CIC Economic Holdco Ltd.

d) SIIF was established on October 6, 2010 under *The Business Corporations Act (Saskatchewan)*. SIIF was established to participate in the Government of Canada's Immigrant Investor Program (IIP). SIIF uses the IIP funds to deliver the Government of Saskatchewan's HeadStart on a Home program that assists builders and developers in building affordable housing.

e) Pursuant to *The Information Services Corporation Act*, effective May 30, 2013, ISC ceased being a subsidiary Crown corporation under *The Crown Corporations Act, 1993*, and was continued under *The Business Corporations Act (Saskatchewan)*. Until July 9, 2013, CIC held 100.0 per cent of the 17,500,000 outstanding Class A Limited Voting shares of ISC.

During July 2013, CIC sold 12,075,000 of the Class A Limited Voting shares of ISC (Note 14). At December 31, 2013, the Corporation owns 5,425,000 Class A Limited Voting shares representing a 31.0 per cent ownership interest of ISC. At December 31, 2013 the fair value of these shares was $93.6 million.

10. EQUIPMENT

(thousands of dollars)

	2013	2012
Cost		
Balance at January 1	$ 1,825	$ 1,737
Additions	46	88
Disposals	-	-
Balance at December 31	1,871	1,825
Accumulated depreciation		
Balance at January 1	1,438	1,315
Depreciation	119	123
Disposals	-	-
Balance at December 31	1,557	1,438
	$ 314	$ 387

11. EQUITY ADVANCES AND CAPITAL DISCLOSURES

CIC does not have share capital. However, CIC has received advances from the GRF to form its equity capitalization. The advances are an equity investment in CIC by the GRF. During 2013, CIC repaid $143.0 million (2012 - Nil) in equity advances to the GRF. Equity advances from the GRF have been invested in subsidiary Crown corporations. CIC, as a holding corporation for the Saskatchewan commercial Crown sector, does not carry any debt.

CIC's ability to pay regular dividends to the GRF depends mainly on the level of Crown corporation dividends to CIC, less CIC's operating costs. These costs include support to non-dividend paying Crown corporations and public policy expenditures. Crown corporation dividend levels depend on their net earnings and capital structure. In addition to cash constraints, CIC's ability to declare dividends to the GRF depends on its retained earnings. CIC's earnings and hence, dividend capacity outlook, are sensitive to adverse developments in its operating expenditures and Crown corporation earnings.

For the year ending December 31, 2013, CIC declared and paid $361.4 million (2012 - $280.1 million) in dividends to the GRF.

12. COMMITMENTS AND CONTINGENCIES

The following significant commitments and contingencies exist at December 31, 2013:

a) CIC, as plan sponsor of Capital Pension Plan, has guaranteed the annuities for the Retirement Annuity Fund portion of the Capital Pension Plan. CIC does not expect any exposure under this guarantee in 2014.

b) CIC has committed to invest up to $20.0 million in the FNMF. At December 31, 2013, CIC has invested $12.4 million (2012 - $8.6 million).

13. DIVIDEND REVENUE

(thousands of dollars)

	2013	2012
Saskatchewan Power Corporation	$ -	$ 120,000
Saskatchewan Telecommunications Holding Corporation	81,095	84,257
CIC Asset Management Inc.	35,000	15,000
SaskEnergy Incorporated	30,443	27,236
Saskatchewan Government Insurance	25,592	52,000
Saskatchewan Gaming Corporation	16,437	21,049
Information Services Corporation	12,307	19,116
Saskatchewan Opportunities Corporation	1,676	2,797
CIC Apex Equity Holdco Ltd.	-	4,947
	$ 202,550	$ 346,402

14. SALE OF ISC SHARES

Pursuant to *The Information Services Corporation Act*, effective May 30, 2013, ISC ceased being a subsidiary Crown corporation under *The Crown Corporations Act, 1993*, and was continued under *The Business Corporations Act (Saskatchewan)*. Until July 9, 2013, CIC held 100.0 per cent of the 17,500,000 outstanding Class A Limited Voting Shares of ISC.

Effective July 9, 2013 and pursuant to an Initial Public Offering (IPO) on the Toronto Stock Exchange, CIC sold 10,500,000 of the Class A Limited Voting Shares of ISC at $14.00 per share. Effective July 17, 2013, and pursuant to an over-allotment option included in the IPO, CIC sold a further 1,575,000 Class A Limited Voting Shares at $14.00 per share. On a combined basis, these transactions resulted in the sale of 69.0 per cent of CIC's interest in ISC for net proceeds and resulting gain on sale of $156.2 million.

15. FINANCE INCOME AND EXPENSES
(thousands of dollars)

	2013	2012
Interest income from short-term investment holdings	$ 3,129	$ 4,275
Bank and service charges	(9)	(9)
	$ 3,120	$ 4,266

16. GRANTS TO SUBSIDIARY CORPORATIONS
(thousands of dollars)

	2013	2012
Saskatchewan Transportation Company	$ 14,000	$ 11,500
SaskEnergy Incorporated	4,049	9,747
Gradworks Inc.	525	220
	$ 18,574	$ 21,467

17. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS
(thousands of dollars)

	2013	2012
Decrease in interest and accounts receivable	$ 849	$ 501
Decrease (increase) in dividends receivable	35,936	(22,593)
(Decrease) increase in interest and accounts payable	(60)	161
	$ 36,725	$ (21,931)

18. FINANCIAL INSTRUMENTS

a) Market risk

Interest rate price risk reflects the risk that CIC's earnings will fluctuate due to changes in interest rates. CIC's cash and cash equivalents and short-term investments are held in short-term money market instruments and will therefore adjust to fluctuations in the interest rate environment. CIC does not believe that the impact of fluctuations in interest rates will be significant and therefore has not provided a sensitivity analysis of the impact on net earnings.

Cash and cash equivalents and short-term investments are measured at fair value based on an active market.

b) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. CIC's interest and accounts receivable consist mostly of interest due on money market investments. CIC has recorded no allowance on its interest and accounts receivable balance. Dividends receivable are due from CIC's subsidiaries within 90 days of year end. CIC has recorded no allowances on its dividends receivable.

18. FINANCIAL INSTRUMENTS *(continued)*

c) Liquidity risk

Liquidity risk is the risk that CIC is unable to meet its financial commitments as they become due. CIC is a Saskatchewan Provincial Crown corporation and as such has access to capital markets through the Saskatchewan Ministry of Finance. All interest and accounts payable are current and due within six months of year end. Currently, CIC has sufficient resources to discharge all liabilities.

19. RELATED PARTY TRANSACTIONS

Included in these separate financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to CIC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). CIC has elected to take a partial exemption under IAS 24, *Related Party Disclosures* which allows government related entities to limit the extent of disclosures about related party transactions with government and other government related entities.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

In addition, CIC pays Saskatchewan provincial sales tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

CIC provides management services to CIC Asset Management Inc., First Nations and Métis Fund Inc., Gradworks Inc., Saskatchewan Immigrant Investor Fund Inc., and CIC Economic Holdco Ltd. without charge.

These separate financial statements and the notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

Key management personnel compensation

In addition to salaries, CIC also provides non-cash benefits to the President and Vice-Presidents and contributes to a post-employment defined contribution plan on their behalf. A retirement allowance is provided to executive officers and accumulates at a rate of 1.92 per cent of their respective gross salary per year.

Key management personnel compensation is comprised of:
(thousands of dollars)

	2013	2012
Salaries and short-term employee benefits	$ 1,278	$ 1,352
Employee future benefits	94	122
Other	8	9
	$ 1,380	$ 1,483

20. PENSION PLAN

CIC's employees participate in the Capital Pension Plan (the Plan), a defined contribution pension plan which is administered by CIC. CIC's contributions to the Plan include making regular payments into the Plan to match the required amounts contributed by employees for current service. The total amount paid to the Plan to December 31, 2013 was $472.6 thousand (2012 - $530.2 thousand). Included in the Plan is a Retirement Annuity Fund (the Fund). The Fund provides retirement annuities at the option of retiring members of the Plan. An actuarial valuation of the Fund is performed annually. The assets of the Fund at December 31, 2013 exceed the actuarially determined net present value of retirement annuities payable.

Glossary of Terms

ACCUMULATED OTHER COMPREHENSIVE INCOME
Comprises the accumulated balance of all components of other comprehensive income, being revenues, expenses, gains and losses that, in accordance with primary sources of International Financial Reporting Standards, are recognized in comprehensive income, but excluded from net earnings.

CAPITAL RESOURCES
The funds that have been invested in and loaned to the corporation to allow it to carry out its operations and investment activities. A corporation's capital consists of its debt and equity.

CAPITAL STRUCTURE
The relative percentage or weighting of debt compared to equity for a corporation. The ideal capital structure for a corporation is usually specific to its industry and depends on factors such as the level of capital assets required to maintain operations, the cost of borrowing, the risk associated with the industry, and shareholder expectations.

CASH FLOW RETURN ON EQUITY
A measure of profitability used to evaluate the Province's investment in CIC. It is based on the cash return (e.g., dividend) provided to the owner and is calculated as dividends paid to the GRF divided by the Province's equity.

COMPREHENSIVE INCOME
The change in equity (net assets) of an enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners.

DEBT RATIO
Measures the per cent of debt in the overall capital structure of an organization and is used to evaluate its financial flexibility. It is calculated as total debt from ongoing operations (long-term debt plus long-term debt due within one year plus notes payable) less sinking funds divided by the Corporation's capital (debt plus equity).

DERIVATIVE
A contract or security that obtains its value from price movements in a related or underlying security, future or other instrument or index.

DIVIDEND CAPACITY
The financial ability that a firm has to pay dividends. Dividend capacity is determined by identifying cash sources from operations, analyzing reinvestment needs and the target capital structure, and then determining surplus cash.

DIVIDEND PAYOUT RATE
The percentage of earnings that has been paid out as dividends.

EBITDA
Earnings before interest, taxes, depreciation and amortization.

FORWARD CONTRACT
A contractual commitment to buy or sell a specified currency at a specific price and date in the future.

GENERAL REVENUE FUND (GRF)
The GRF is a special purpose fund that the Government uses to pay for most of the programs it provides. It is the Government of Saskatchewan's central accounting entity where all public monies are deposited to and disbursed from, as authorized by the Legislative Assembly.

MINIMUM CAPITAL TEST (MCT)
The minimum capital test is a capital adequacy test widely used in the insurance industry and indicates capital available to pay claims compared to capital required.

OPTION
A contract that grants the right, but not the obligation, to buy or sell a commodity or financial instrument at a specified price at a point in time during a defined period.

OTHER COMPREHENSIVE INCOME
Comprises revenue, expenses, gains and losses that, in accordance with primary sources of International Financial Reporting Standards, are recognized in comprehensive income, but excluded from net income.

PERFORMANCE MANAGEMENT PLANS
Plans that are developed by each Crown corporation detailing key strategic priorities, measures and targets for a given year. They are also referred to as business plans, and typically include the corporation's budget for the year.

RETURN ON EQUITY
A measure of profitability that relates a company's earnings to the investment by its owners. It is calculated as net earnings divided by the average shareholder's equity.

SIGNIFICANT TRANSACTION
Significant transactions are those judged by a Crown corporation to be sensitive and likely of interest to legislators and the public; or where the transaction is both material and outside the ordinary course of business and involves:

- the acquisition of a major investment or asset, or the assumption of a major liability;
- a change in the terms and conditions governing an existing investment or asset; or
- the divestment of a major asset or investment.

SINKING FUND
An account held for the specific purpose of paying down an existing debt instrument (e.g., loan) that has a maturity date in the future. Money is placed in the fund over the period which the debt is held, and then used to pay off the debt at its maturity. Sinking funds are recorded as investments for financial reporting purposes.

SWAP
A contractual agreement to exchange a stream of periodic payments with a counterparty.

Directory

CIC ASSET MANAGEMENT INC.
400-2400 College Ave
Regina, Saskatchewan S4P 1C8
Inquiry: (306) 787-5279
Web site: www.cicorp.sk.ca

SASKATCHEWAN GOVERNMENT INSURANCE
2260-11th Ave
Regina, Saskatchewan S4P 0J9
Inquiry: 1-800-667-9868
President: Andrew Cartmell
Web site: www.sgi.sk.ca www.sgicanada.ca

SASKATCHEWAN GAMING CORPORATION
2020 Saskatchewan Drive
Regina, Saskatchewan S4P 0B2
Inquiry: (306) 787-1590
President: Twyla Meredith
Web site: www.saskgaming.com

SASKATCHEWAN OPPORTUNITIES CORPORATION
114-15 Innovation Boulevard
Saskatoon, Saskatchewan S7N 2X8
Inquiry: (306) 933-6295
Acting President: Van Isman
Web site: www.innovationplace.com

SASKATCHEWAN POWER CORPORATION
2025 Victoria Avenue
Regina, Saskatchewan S4P 0S1
Inquiry: 1-888-757-6937
President: Robert Watson
Web site: www.saskpower.com

SASKATCHEWAN TELECOMMUNICATIONS
2121 Saskatchewan Drive
Regina, Saskatchewan S4P 3Y2
Inquiry: 1-800-727-5835
President: Ron Styles
Web site: www.sasktel.com

SASKATCHEWAN TRANSPORTATION COMPANY
1717 Saskatchewan Drive
Regina, Saskatchewan S4P 2E2
Inquiry: (306) 787-3347
President: Shawn Grice
Web site: www.stcbus.com

SASKATCHEWAN WATER CORPORATION
111 Fairford Street East
Moose Jaw, Saskatchewan S6H 1C8
Inquiry: 1-888-230-1111
President: Doug Matthies
Web site: www.saskwater.com

SASKENERGY INCORPORATED
1777 Victoria Ave
Regina, Saskatchewan S4P 4K5
Inquiry: 1-800-567-8899
President: Doug Kelln
Web site: www.saskenergy.com

CIC

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

400- 2400 College Avenue, Regina, Saskatchewan, Canada S4P 1C8
Inquiries: 306.787.6851 Fax: 306.787.8125
www.cicorp.sk.ca